LYCOS ENERGY INC.
ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2024

Dated April 8, 2025

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GLOSSARY

Certain terms and abbreviations used in this annual information form are defined below:

"**Abandonment**" means forecasted abandonment and site reclamation costs. For more detail, please see "*Other Oil and Gas Information – Additional Information concerning Abandonment and Reclamation Costs*".

"**ABCA**" means the *Business Corporations Act* (Alberta), as amended from time to time.

"**AcquisitionCo**" means 2156735 Alberta Ltd., a corporation formed under the laws of the Province of Alberta in connection with the Business Combination, and a wholly owned subsidiary of the Corporation.

"**AIF**" means this annual information form dated April 8, 2025, for the financial year ended December 31, 2024.

"**Board**" means the board of directors of Lycos.

"**Business Combination**" has the meaning ascribed thereto under "*Corporate Structure*".

"**Business Combination Agreement**" means the business combination agreement dated November 7, 2022, among the Corporation, Chronos and AcquisitionCo, providing for the Business Combination.

"**CDLP Acquisition**" means the Corporation's acquisition on February 28, 2023 of its joint venture partner's equity interest in the Partnership, as further described under "*Corporate Structure*" and "*General Development of the Business – Three Year History – Financial Year Ended December 31, 2023.*"

"**Chronos**" means Chronos Resources Ltd., a corporation formed pursuant to the laws of the Province of Alberta.

"**Chronos Financings**" means the Subscription Receipt Private Placement and the Unit Private Placement, as further described under "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2022*".

"**Chronos Shares**" means the common shares in the capital of Chronos.

"**Chronos Warrants**" means the Chronos Share purchase warrants issued under each Unit, as further described under "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2022*".

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter), as amended from time to time.

"**Common Shares**" means the common shares in the capital of the Corporation.

"**Credit Agreement**" means the credit agreement, as amended from time to time, with National Bank of Canada, providing for the Credit Facility.

"**Credit Facility**" means the $50.0 million revolving credit facility of the Corporation, available under and pursuant to the terms of the Credit Agreement. of which $35.0 million is immediately available for general corporate purposes and an additional $15.0 million is available at the discretion of the lender.

"**DCEL**" means Durham Creek Exploration Ltd., an entity acquired by the Corporation on October 16, 2023, as further described under "*General Development of the Business – Financial Year ended December 31, 2023*".

"**DCEL Acquisition**" means the Corporation's acquisition of all of the issued and outstanding common shares of DCEL, as further described under "*General Development of the Business – Financial Year ended December 31, 2023*".

"**Exchange Ratio**" has the meaning ascribed thereto in "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2022*".

"**GHG**" means greenhouse gas.

"**IFRS**" means the International Financial Reporting Standards.

"**KPMG**" means KPMG LLP, the Corporation's auditors.

"**Lycos**" or the "**Corporation**" means Lycos Energy Inc. (previously named "Samoth Oilfield Inc."), a corporation formed pursuant to the laws of the Province of Alberta.

"**Market Price**" has the meaning ascribed thereto in "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2022*".

"**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations*.

"**OPEC**" means the Organization of Petroleum Exporting Countries, and "**OPEC+**" refers to OPEC plus Russia, Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, South Sudan and Sudan.

"**Partnership**" means Chronos Duvernay Limited Partnership.

"**Reserves Data**" has the meaning ascribed thereto in "*Statement of Reserves Data and Other Oil and Gas Information – Reserves Data (Forecast Prices and Costs)*".

"**Reserves Report**" means the report prepared by Sproule, evaluating the Crude Oil, natural gas and natural gas liquids reserves of the Corporation, as at December 31, 2024, with a preparation date of February 18, 2025.

"**Saskatchewan Disposition**" means the Corporation's disposition of certain non-core assets and facilities in the Gull Lake and Lloydminster, Saskatchewan areas on December 31, 2024, as further described under "*General Development of the Business – Recent Developments*", "*Description of the Business of the Corporation – Disposition of Non-Core Assets*" and "*Statement of Reserves Data and Other Oil and Gas Information – Planned Capital Expenditures*".

"**Shareholders**" means the holders of Common Shares of the Corporation.

"**Sproule**" means Sproule International Limited.

"**Subscription Receipts**" means subscription receipts of Chronos.

"**Subscription Receipt Private Placement**" means the non-brokered private placement of Subscription Receipts of Chronos for aggregate gross proceeds of $53.0 million, as further described under "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2022*".

"**TSX-V**" means the TSX Venture Exchange.

"**U.S.**" or "**United States**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia.

"**Units**" means units of Chronos, each Unit being comprised of one Chronos Share and one Chronos Warrant, as further described under "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2022*".

"**Unit Private Placement**" means the non-brokered private placement of Units of Chronos for aggregate gross proceeds of $12.0 million, as further described under "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2022*".

"**Warrant**" means the Common Share purchase warrants of the Corporation, as further described under "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2022*".

"**Wyatt Acquisition**" means the Corporation's acquisition of all of the issued and outstanding common shares of Wyatt Resources Ltd., as further described under "*General Development of the Business – Financial Year ended December 31, 2023*".

"**2022 Consolidation**" means the consolidation by the Corporation of its Common Shares completed on December 12, 2022, on the basis of one (1) post-consolidation Common Share for every eight (8) pre-consolidation Common Shares, as further described under "*Note on Common Share Consolidations*".

"**2023 Consolidation**" means the consolidation by the Corporation of its Common Shares completed on September 1, 2023, on the basis of one (1) post-consolidation Common Share for every eight (8) pre-consolidation Common Shares, as further described under "*Note on Common Share Consolidations*".

ABBREVIATIONS

In this AIF, the abbreviations set forth below have the following meanings:

bbl	Barrel	mcf	thousand cubic feet
mbbl	thousand barrels	mcf/d	thousand cubic feet per day
bbl/d	barrels per day	mmcf	million cubic feet
NGLs	natural gas liquids	mmcf/d	million cubic feet per day
Boe/d	barrels of oil equivalent per day	MMBTU	million British Thermal Units
		Tcf	Trillion cubic feet

API	American Petroleum Institute.
°API	An indication of the specific gravity of Crude Oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light Crude Oil.
boe	Barrel of oil equivalent.
Mcfe	means 1,000 cubic feet equivalent on the basis of one Bbl of crude oil for six Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either energy content or current prices).
CO_2	Carbon dioxide.
GHG	Greenhouse gas emissions.
Mboe	1,000 barrels of oil equivalent.
M$	Thousands of dollars.
WTI	West Texas Intermediate

CURRENCY

All currency amounts ($) expressed herein, unless otherwise indicated, are expressed in Canadian dollars.

CONVERSIONS

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
bbls	Cubic metres	0.159
Cubic metres	bbls	6.290
Feet	Metres	0.305

To Convert From	To	Multiply By
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471
Gigajoules	Mmbtu	0.949
Mmbtu	Gigajoules	1.055

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this AIF constitute forward-looking statements. The use of any of the words "anticipate", "intend", "continue", "estimate", "expect", "may", "will", "plan", "project", "should", "believe" and similar expressions (including negatives or variations thereof) are intended to identify forward-looking statements. These statements are based on the Corporation's beliefs and assumptions based on information available at the time such assumptions were made, and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Lycos believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forwarding-looking statements speak only as of the date of this AIF.

In particular, this AIF may contain forward-looking statements pertaining, but not limited, to the following:

- the business strategy, objectives, strengths, weaknesses and focus of the Corporation;
- the performance characteristics of the Corporation's oil and natural gas properties;
- oil and natural gas production levels;
- capital expenditure programs and the timing and method of financing thereof;
- the quantity of oil and natural gas proved and probable reserves;
- future commodity prices;
- the quantity and quality of the Corporation's inventory of drilling locations and the Corporation's plans with respect to development and operation of its properties, including estimates of drilling and completion costs and efficiency improvements;
- the estimated quantity and value of the Corporation's reserves;
- expectations with respect to the Corporation's financial position and future funds from operations, cash flows, net earnings and other financial results;
- the Corporation's current capital budget, capital investment programs and future capital requirements, including its ability to raise capital;
- expectations regarding contractual obligations and commitments, benefits therefrom and their expected timing of funding;
- future costs, including Abandonment and reclamation cost expectations;
- access to third-party infrastructure and the expected limitations, costs and benefits thereof;
- the use of risk-management techniques, including hedging;
- expectations that the Corporation's competitive advantages will yield successful execution of its business strategy and the degree of any such success achieved;
- the Corporation's treatment under governmental regulatory regimes and tax laws, including estimated tax pools and the Corporation's tax horizon;
- the Corporation's management team as it evolves, including the continuity of employment of any person;
- the compensation arrangements and economic interest of the Corporation's management team in the Corporation's equity and the benefits thereof;
- use of Credit Facility funds;
- supply and demand for oil and natural gas;
- the ability of the Corporation to achieve drilling success consistent with management's expectations;
- the Corporation's ability to attract and retain qualified personnel;

- expected levels of royalty rates, operating costs, general and administrative costs, costs of services and other costs and expenses; and
- treatment under governmental, regulatory and royalty regimes and tax laws.

Although management of Lycos believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this AIF:

- the ability of management to execute its business plan;
- volatility in market prices for oil and natural gas;
- the impact of Canadian and U.S. legislative and regulatory policies;
- political or economic developments, including, without limitation, the risk that: (i) the new U.S. administration imposes tariffs on Canadian goods, including oil and gas, and that such tariffs (and/or the Canadian government's response to such tariffs (including the implementation and impacts of retaliatory tariffs)) adversely affect the demand and/or market price for the Corporation's products and/or otherwise adversely affects the Corporation; (ii) the U.S. and/or Canada imposes any other form of tax, restriction or prohibition on the import or export of products from one country to the other, including on oil and natural gas; and (iii) the tariffs imposed by the U.S. on other countries and responses thereto could have a material adverse effect on the Canadian, U.S. and global economies, and by extension, the Canadian oil and natural gas industry and the Corporation;
- risks and liabilities inherent in oil and natural gas industry, including environmental regulation;
- uncertainties associated with estimating oil and natural gas reserves, production, costs and expenses;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- actions taken by governmental authorities, including increases in taxes and changes in government regulations and incentive programs;
- risks inherent in marketing operations, including credit risk;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- fluctuations in commodity prices including pursuant to determinations made by OPEC+ regarding production levels;
- changes in income tax laws and incentive programs relating to the oil and natural gas industry;
- unanticipated operating events which could reduce production or cause production to be shut-in or delayed;
- hazards such as fire, explosion, blowouts, cratering and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury;
- insufficient storage or transportation capacity;
- risks relating to the condition of the Corporation's assets, and costs relating to maintenance of same;
- the ability to add production and reserves through acquisitions and development and exploration activities;
- the possibility that government policies or laws, including laws and regulations related to the environment, may change or governmental approvals may be delayed or withheld;
- the potential termination or expiration of the licenses, leases and working interest in licenses and leases required by the Corporation, and the risk that the Corporation may not be able to obtain all necessary licenses and permits required for its business;
- failure to obtain industry partner and other third-party consents and approvals, as and when required;
- inflation, stock market volatility and market valuations;
- competition for, among other things, capital, acquisition of reserves, undeveloped land and skilled personnel;

- inability to identify and complete potential acquisitions and/or failure to achieve anticipated benefits from such acquisitions;
- inability to add production and reserves through development and exploration activities;
- termination of or failure to extend existing licenses by regulatory or governmental authorities;
- the availability of capital on acceptable terms or at all;
- political uncertainty, geopolitical conflicts, hostilities, civil insurrections and wars;
- the successful integration of recently acquired assets into the Corporation's operations;
- failure to realize anticipated benefits of acquisitions; and
- the other factors discussed under "*Risk Factors*".

Statements relating to "reserves" and "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

With respect to forward-looking statements contained in this AIF, Lycos has made assumptions regarding, among other things:

- the legislative and regulatory environments of the jurisdictions where the Corporation carries on business or has operations;
- commodity prices and royalty regimes;
- the impact of increasing competition;
- availability of skilled labour;
- timing and amount of capital expenditures;
- the impact of inflation on operating and labour costs;
- the price of oil and natural gas;
- conditions in general economic and financial markets;
- royalty rates and future operating costs;
- government regulations, laws and tariffs; and
- the Corporation's ability to obtain additional financing to finance its exploration, development and operations, and its ability to secure such financing on satisfactory terms.

Lycos has included the above summary of assumptions and risks related to forward-looking information provided in this AIF in order to provide investors with a more complete perspective on Lycos's current and future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this AIF are expressly qualified by this cautionary statement. Except as required by applicable securities laws, Lycos does not undertake any obligation or is not under any duty to publicly update or revise any forward-looking statements. Readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this AIF.

NON-IFRS FINANCIAL MEASURES

This AIF contains certain financial measures and ratios, as described below, which do not have standardized meanings prescribed by IFRS. As these non-IFRS financial measures and ratios are commonly used in the oil and gas industry, Lycos believes that their inclusion is useful to investors. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used. The non-IFRS financial measures and ratios used in this AIF, represented by the capitalized and defined terms outlined below, are used by the Corporation as key measures of financial performance. For further information, readers should refer to the section entitled "Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Measures" located in the management's discussion and analysis of the Corporation for the year ended December 31, 2024, available on the Corporation's SEDAR+ at www.sedarplus.ca.

"**Operating netback**" is calculated by deducting royalties, net operating expenses, and transportation expenses, from petroleum and natural gas revenues, net of blending, 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 believes that in addition to net income, operating netbacks are a useful supplemental measure as it assists in the determination of the Corporation's operating performance as it demonstrates field level profitability relative to current commodity prices. Readers should be cautioned, however, that this measure should not be construed as an alternative to both net income and net cash from (used in) operating activities, which are determined in accordance with IFRS, as indicators of the Corporation's performance.

($000s)	**2024**	**2023**	**2024 ($/boe)**	**2023 ($/boe)**
Petroleum and natural gas revenues, net of blending	123,558	75,724	75.44	68.95
Royalties	(17,698)	(11,005)	(10.81)	(10.02)
Net operating expenses	(37,511)	(27,482)	(22.90)	(25.02)
Transportation expenses	(2,433)	(1,311)	(1.49)	(1.19)
Operating netback	65,916	**35,926**	40.24	**32.72**

"**Net operating expenses**" Management uses net operating expenses to analyze operating performance. Net operating expenses are determined by deducting processing income primarily generated by third party volumes at processing facilities where the Corporation has an ownership interest. However, the Corporation's principal business is not that of a midstream entity whose activities are dedicated to earning processing and other infrastructure payments. Where the Corporation 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.

"**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 Corporation's annual budgeted capital expenditures. The most directly comparable IFRS measure for 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 Corporation's Annual Financial Statements. A summary of the reconciliation of cash flow used in investing activities to capital expenditures is set forth below:

	Year ended December 31,	
($000s)	**2024**	**2023**
Net cash used in investing activities	$69,803	114,331
Change in non-cash working capital	(13,049)	16,505
Capital Expenditures	$56,754	**130,836**

NOTE ON COMMON SHARE CONSOLIDATIONS

On December 12, 2022, the Corporation consolidated (the "**2022 Consolidation**") its Common Shares on the basis of one (1) post-consolidation Common Share for every eight (8) pre-consolidation Common Shares. On September 1, 2023, the Corporation consolidated (the "**2023 Consolidation**") its Common Shares on the basis of one (1) post-consolidation Common Share for every eight (8) pre-consolidation Common Shares. Unless otherwise indicated, all references to the number of Common Shares and other securities of the Corporation and the prices thereto prior to the consolidation dates have been restated to reflect the 2023 Consolidation and the 2022 Consolidation. As a result, restated figures may be slightly greater than or less than their pre-consolidated equivalent due to rounding.

NOTES ON RESERVES DATA AND OTHER OIL AND NATURAL GAS INFORMATION

Advisory Regarding Oil and Gas Information

The reserves information contained in this AIF has been prepared in accordance with NI 51-101 and COGE Handbook. Listed below are cautionary statement(s) that are specifically required by NI 51-101 that qualify the oil and gas disclosure contained in this AIF (including the Appendices hereto).

The terms "boe" and "mcfe" may be misleading, particularly if used in isolation. A boe conversion rate of six thousand cubic feet of natural gas per barrel of oil (6 mcf:1 bbl) and an mcfe conversion rate of one barrel of oil per six thousand cubic feet of natural gas (1 bbl:6 mcf) are each based on an energy equivalency conversion method primarily applicable at the burner tip and do not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of Crude Oil as compared to natural gas is significantly different from an energy equivalency of 6:1, utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

Reserves

The discounted and undiscounted net present value of future net revenues attributable to the reserves of Lycos, do not represent the fair market value of such reserves. There is no assurance that the forecast prices and cost assumptions applied by the independent reserves evaluators in evaluating the reserves of Lycos will be attained and variances could be material. The estimates of heavy Crude Oil, NGL, and conventional natural gas reserves provided in this AIF are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual heavy Crude Oil, NGLs, and conventional natural gas reserves may be greater than or less than the estimates provided in this AIF and the difference may be material.

The determination of reserves involves the preparation of estimates that have an inherent degree of associated risk and uncertainty. The estimation and classification of reserves is a complex process involving the application of professional judgment combined with geological and engineering knowledge to assess whether specific classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions. In addition, rules set forth in the COGE Handbook and NI 51-101 override professional judgments as to volumes of recovery, well productivity and other factors.

The estimates of reserves and future net revenue for individual properties in this AIF may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

The information set forth in this AIF relating to the reserves of Lycos and related future net revenues constitutes forward-looking statements which are subject to certain risks and uncertainties. See "*Forward-Looking Statements*" and "*Risk Factors*" in this AIF.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions set forth below in "*Selected Oil and Gas Terms*" in this AIF are applicable to individual reserves entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and

- at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Drilling Locations

This AIF discloses drilling inventory in two categories: (a) proved reserve locations; and (b) probable reserve locations. Proved locations and probable locations are derived from Sproule's reserves evaluation effective December 31, 2024, and account for drilling locations that have associated proved and/or probable reserves, as applicable. Of the 89.7 net drilling locations identified herein, 65.5 are net proved locations, and 24.2 are net probable locations. The drilling locations on which the Corporation actually drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, commodity prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

Short Term Production

References in this AIF to 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 the Corporation.

Selected Oil and Gas Terms

In this AIF, unless otherwise indicated or the context otherwise requires, the following terms used in the preparation of the Reserves Report in accordance with NI 51-101 and this AIF have the meanings set forth below. These definitions are generally as set forth in the COGE Handbook and NI 51-101 and are reproduced below for the convenience of the reader.

> "**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter), as amended from time to time.
>
> "**condensate**" means a mixture of hydrocarbons consisting primarily of pentanes and heavier liquids extracted from natural gas.
>
> "**conventional natural gas**" means natural gas that has been generated elsewhere and has migrated as a result of hydrodynamic forces and is trapped in discrete accumulations by seals that may be formed by localized structural, depositional or erosional geological features.
>
> "**developed non-producing reserves**" are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.
>
> "**developed producing reserves**" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if they shut in, they must have previously been on production, and on the date of resumption and production must be known with reasonable certainty.
>
> "**developed reserves**" are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure

(for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

"**development costs**" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil, NGL and natural gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to: (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building and relocating public roads, natural gas lines and power lines, to the extent necessary in developing the reserves; (b) drill and equipment development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly; (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and (d) provide improved recovery systems.

"**development well**" means a well drilled inside the established limits of an oil or natural gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

"**exploration costs**" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and natural gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are: (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies; (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence and the maintenance of land and lease records; (c) dry hole contributions and bottom hole contributions; (d) costs of drilling and equipping exploratory wells; and (e) costs of drilling exploratory type stratigraphic test wells.

"**field**" means a defined geographical area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area, although it may refer to both the surface and the underground productive formations.

"**forecast prices and costs**" means future prices and costs that are: (a) generally acceptable as being a reasonable outlook of the future; and (b) if and only to the extent that, there are fixed or presently determinable future prices or costs to which a company is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in the paragraph above.

"**gross**" means: (a) in relation to a company's interest in production or reserves, its "company gross reserves", which are the company's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the company; (b) in relation to wells, the total number of wells in which a company has an interest; and (c) in relation to properties, the total area of properties in which a company has an interest.

"**heavy Crude Oil or heavy oil**" means Crude Oil with a relative density greater than 10 degrees API gravity and less than or equal to 22.3 degrees API gravity.

"**light Crude Oil or light oil**" means Crude Oil with a relative density greater than 31.1 degrees API gravity. Light and medium Crude Oil means light Crude Oil and medium Crude Oil combined.

"**medium Crude Oil**" or "**medium oil**" means Crude Oil with a relative density greater than 22.3 degrees API gravity and less than or equal to 31.1 degrees API gravity.

"**natural gas liquids**" or "**NGL**" means those hydrocarbon components that can be recovered from natural gas as a liquid including, but not limited to, ethane, propane, butanes, pentanes plus, and condensates.

"**net**" means: (a) in relation to a company's interest in production or reserves, the company's working interest (operating or nonoperating) share after deduction of royalty obligations, plus the company's royalty interest in production or reserves; (b) in relation to a company's interest in wells, the number of wells obtained by aggregating the company's working interest in each of its gross wells; and (c) in relation to a company's interest in a property, the total area in which the company has an interest multiplied by the working interest owned by the company.

"**net acres**" means the percentage of total acres an owner has out of a particular number of acres, or a specified tract. An owner who has 50% interest in 100 acres owns 50 net acres.

"**probable reserves**" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

"**proved reserves**" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"**reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: (i) analysis of drilling, geological, geophysical and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

"**reservoir**" means a porous and permeable underground rock formation containing a natural accumulation of petroleum that is confined by impermeable rock or water barriers, is separate from other reservoirs and is characterized by a single pressure system.

"**resources**" means petroleum quantities that originally existed on or within the earth's crust in naturally occurring accumulations, including discovered and undiscovered (recoverable and unrecoverable) plus quantities already produced.

"**undeveloped reserves**" are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

"**working interest**" means the right granted to the lessee of a property to explore for and to produce and own oil, natural gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.

The information set forth in this AIF (inclusive of the Appendices hereto) relating to Lycos' reserves and future net revenues, respectively, constitutes forward-looking statements which are subject to certain risks and uncertainties. See "*Forward-Looking Statements*" and "*Risk Factors*" in this AIF.

Initial Production

References in this AIF to initial production rates, such as IP30, 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 continue to produce, nor is it indicative of future production capability, decline and ultimate reserves. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Corporation.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Corporation was incorporated under the ABCA on May 8, 2006 as "Samoth Oilfield Inc.". On December 12, 2022, the Corporation completed a business combination (the "**Business Combination**") involving Chronos and AcquisitionCo, a wholly owned subsidiary of the Corporation. The Business Combination was completed in accordance with the terms of the Business Combination Agreement dated November 7, 2022 among the Corporation, Chronos and AcquisitionCo. Pursuant to the Business Combination, the Corporation: (a) appointed a new management team; (b) appointed a new board of directors; (c) acquired all of the issued and outstanding Chronos Shares in exchange for 20 pre-consolidation Common Shares; (d) underwent a name change from "Samoth Oilfield Inc." to "Lycos Energy Inc."; and (e) effected the 2022 Consolidation on the basis of one (1) post-consolidation Common Share for every eight (8) pre-consolidation Common Shares, representing an exchange ratio on a post-consolidation basis of two and a half (2.5) Common Shares. Following the Business Combination, Chronos and AcquisitionCo amalgamated leaving the Corporation with a wholly-owned subsidiary named "Chronos Resources Ltd." On January 1, 2023, this subsidiary was vertically amalgamated with Lycos.

On February 28, 2023, Lycos purchased its former partner's equity interest in the Partnership (the "**CDLP Acquisition**"). On May 1, 2024, Lycos amalgamated with the 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.

As of December 31, 2024 and the date hereof, Lycos has no material subsidiaries.

The Corporation is governed by the ABCA. The head office of the Corporation is located at 215 – 2nd Street SW, Suite 1900, Calgary, Alberta, T2P 1M4 and the registered office of the Corporation is located at 4200 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5.

GENERAL DEVELOPMENT OF THE BUSINESS

Recent Developments

- On March 4, 2025, Lycos announced its 2025 drilling program was well underway with planned Q1 2025 activity of 9 gross (8.82 net) multi-lateral wells. As previously announced in its press release on January 6, 2025, the Corporation’s Q1 2025 drilling program is deliberately designed for new inventory creation.

- Also on March 4, 2025, Lycos announced the initiation by its Board of a comprehensive process to explore, review and evaluate a number of strategic repositioning alternatives available to the Corporation with a view to maximizing and accelerating value to Shareholders. The strategic review will include the evaluation of a broad range of alternatives including, but not limited to, a corporate sale, merger, corporate restructuring, sale of select assets, purchase of assets, or any combination of these potential alternatives. Lycos has engaged National Bank Financial Inc. to act as its exclusive financial advisor in connection with this strategic review process.

- On January 6, 2025, Lycos announced the disposition (the "**Saskatchewan Disposition**") of non-core assets and facilities in the Gull Lake and Lloydminster Saskatchewan areas on December 31, 2024, for total consideration of $9.75 million, subject to closing adjustments. Estimated 2025 production from the non-core assets was forecast to be approximately 325 boe/d (99% oil). As part of the transaction, Lycos retains the rights to drill on any and all undeveloped lands (13,453 net acres) by way of a lease issued from the acquirer to Lycos. This lease is issued annually subject to Lycos drilling one well in the calendar year on the subject lands. Concurrent with this disclosure, the Corporation also announced its 2025 budget pro-forma the disposition, including a capital expenditures budget of $80.0 million for 2025. For more details regarding the Saskatchewan Disposition, please refer to "*Description of the Business of the Corporation – Disposition of Non-Core Assets*" and "*Statement of Reserves Data and Other Oil and Gas Information – Planned Capital Expenditures*".

Three-Year History

Financial Year Ended December 31, 2024

- On November 19, 2024, Lycos announced it was temporarily forced to shut in approximately 810 boe/d of production (680 bbl/d of oil and 780 mcf/d of gas). As a result of the shut-in production and volatility in commodity prices, the Corporation increased its 2024 capital expenditures budget from $66.0 million to $67.6 million. The Company has brought back on approximately 500 boe/d (83% oil) of the 810 boe/d (83% oil).

- On February 1, 2024, Lycos announced its initial 2024 capital expenditures budget of $61.0 million including the drilling of approximately 28 (27.2 net) wells targeting multiple zones in the Mannville stack including the Sparky, Rex, Cummings, General Petroleum and Waseca sands. On April 3, 2024, Lycos announced an operations update highlighted by drilling performance and an increase to the Corporation's 2024 capital expenditures budget from $61.0 million to $66.0 million.

Financial Year Ended December 31, 2023

- On December 4, 2023, Lycos increased its existing revolving Credit Facility from $35.0 million to up to $50.0 million, of which $35.0 million is immediately available for general corporate purposes and an additional $15.0 million is available at the discretion of the lender.

- On October 16, 2023, Lycos acquired all of the issued and outstanding common shares of DCEL for consideration of $12.5 million in cash, before closing adjustments, and 2,816,907 Common Shares (the "**DCEL Acquisition**").

- Concurrent with the DCEL Acquisition, Lycos completed a bought-deal financing including the exercise of the over-allotment option by the underwriters of 9,860,100 Common Shares at a price of $3.55 per Common Share for aggregate gross proceeds of approximately $35.0 million. A portion of the net proceeds from this offering were used to fund the cash purchase price of the DCEL Acquisition.

- On September 1, 2023, Lycos acquired all of the issued and outstanding common shares of Wyatt Resources Ltd. for consideration of $6.1 million in cash, net of closing adjustments and the issuance of 635,640 Common Shares (the "**Wyatt Acquisition**").

- Also on September 1, 2023, the Corporation effected the 2023 Consolidation, providing for the consolidation of its Common Shares on the basis of one (1) post-consolidation Common Share for every eight (8) pre-consolidation Common Shares. The 2023 Consolidation was approved by Shareholders at the Corporation's annual general and special meeting of shareholders held on June 14, 2023.

- On June 14, 2023, at the Corporation's annual general and special meeting of shareholders, Geri Greenall was elected to the Corporation's board of directors, filling the vacant director seat from Don Cowie, who did not stand for re-election at the meeting.

- On May 25, 2023, the Corporation increased its existing revolving Credit Facility from $20.0 million to $35.0 million.

- On April 3, 2023, Lycos announced the promotions of Kyle Boon to the role of Chief Operating Officer and Barret Henschel to the role of Vice President, Production.

- On February 28, 2023, the Corporation completed the CDLP Acquisition 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 on any newly drilled wells on the acquired lands. The CDLP Acquisition added 56.2 net sections of land (45.8 undeveloped) and 1,500 boe/d to the Corporation's production, with an increase of more than 40 multi-lateral drills to current inventory.

- On February 25, 2023, the Corporation appointed KPMG as its new auditor. Prior to this appointment, Crowe Mackay LLP was auditor to the Corporation.

- On January 16, 2023, Lycos entered into a credit agreement (the "**Credit Agreement**") in respect of a revolving credit facility (the "**Credit Facility**") for up to $20.0 million, of which $10.0 million is immediately available for general corporate purposes and an additional $10.0 million is available at the discretion of the lender. The Credit Facility was subsequently amended on May 25, 2023 and December 4, 2023.

Financial Year Ended December 31, 2022

- On December 15, 2022, the Common Shares commenced trading on the TSX-V under the name "Lycos Energy Inc." and under the ticker symbol "LCX".

- On November 7, 2022, the Corporation, AcquisitionCo and Chronos entered into the Business Combination Agreement providing for the Business Combination. Pursuant to the terms of the Business Combination Agreement, on December 12, 2022, the Corporation:

    - appointed a new management team led by Dave Burton as President and Chief Executive Officer, Lindsay Goos as Vice President, Finance and Chief Financial Officer, Kyle Boon as Vice President, Operations, Jamie Conboy as Vice President, Exploration and Jeff Rideout as Vice President, Land;

    - appointed a new board of directors, comprised of Dave Burton, Kevin Olson, Ian Atkinson, Ali Horvath, Bruce Beynon, Don Cowie and Kel Johnston, with Neil Roszell serving as a Special Advisor to the Board;

    - acquired all of the issued and outstanding Chronos Shares in exchange for twenty (20) pre-2022 Consolidation Common Shares at a deemed price of $0.035 per pre-2022 Consolidation Common Share; and

    - effected the 2022 Consolidation and the name change of the Corporation from "Samoth Oilfield Inc." to "Lycos Energy Inc.".

- In conjunction with the Business Combination, Chronos completed: (a) a non-brokered private placement (the "**Subscription Receipt Private Placement**") of subscription receipts ("**Subscription Receipts**") of Chronos for aggregate gross proceeds of $53.0 million; and (b) a non-brokered private placement (the "**Unit Private Placement**", and together with the Subscription Receipt Private Placement, the "**Chronos Financings**") of units ("**Units**") of Chronos for additional

aggregate gross proceeds of $12.0 million. The net proceeds from the Chronos Financings were used to fund the February 28, 2023, CDLP Acquisition and in combination with working capital and general corporate purposes.

  - The 75,714,285 Subscription Receipts issued under the Subscription Receipt Private Placement at an offering price of $0.70 per Subscription Receipt were automatically exchanged for Chronos Shares on a one-to-one basis immediately prior to the closing of the Business Combination, following which each Chronos Share was acquired by the Corporation in exchange (the "**Exchange Ratio**") for twenty (20) pre-2022 Consolidation Common Shares, and subject to the 2022 Consolidation, resulting in each holder of Subscription Receipts receiving two and a half (2.5) post-2022 Consolidation Common Shares for each Subscription Receipt held.

  - Contemporaneous with the closing of the Business Combination, 17,142,858 Units were issued under the Unit Private Placement at an offering price of $0.70 per Unit. Each Unit was comprised of one Chronos Share and one Chronos Share purchase warrant (each, a "**Chronos Warrant**"). Each Chronos Share was subject to the Exchange Ratio following the closing of the Business Combination. Chronos Warrants were also subject to the Exchange Ratio resulting in holders of Units receiving two and a half (2.5) post-2022 Consolidation Common Share purchase warrants (each, a "**Warrant**") for each Unit held. Each whole Warrant entitles the holder thereof to purchase one (1) post-2022 Consolidation Common Share at an exercise price of $0.28 at any time prior to December 12, 2027. The Warrants shall vest and become exercisable as to one-third upon the 10-day weighted average trading price of the Common Share (the "**Market Price**") equaling or exceeding $0.42, an additional one-third upon the Market Price equaling or exceeding $0.49, and a final one-third upon the Market Price equaling or exceeding $0.56. As of the date hereof, all Warrants issued pursuant to the Unit Private Placement have vested.

- Lycos successfully drilled its first 100 percent, multi-leg "fishbone" well and a second 8 leg multi-lateral well from the same drilling pad location. Both wells were subsequently brought on production with an initial 30-day production rate (IP30) of approximately 150 boe/d and 97 boe/d.

Significant Acquisitions

During the fiscal year ended December 31, 2024, the Corporation did not complete any significant acquisitions or significant dispositions or entered into any significant probable acquisitions, as defined in NI 51-102.

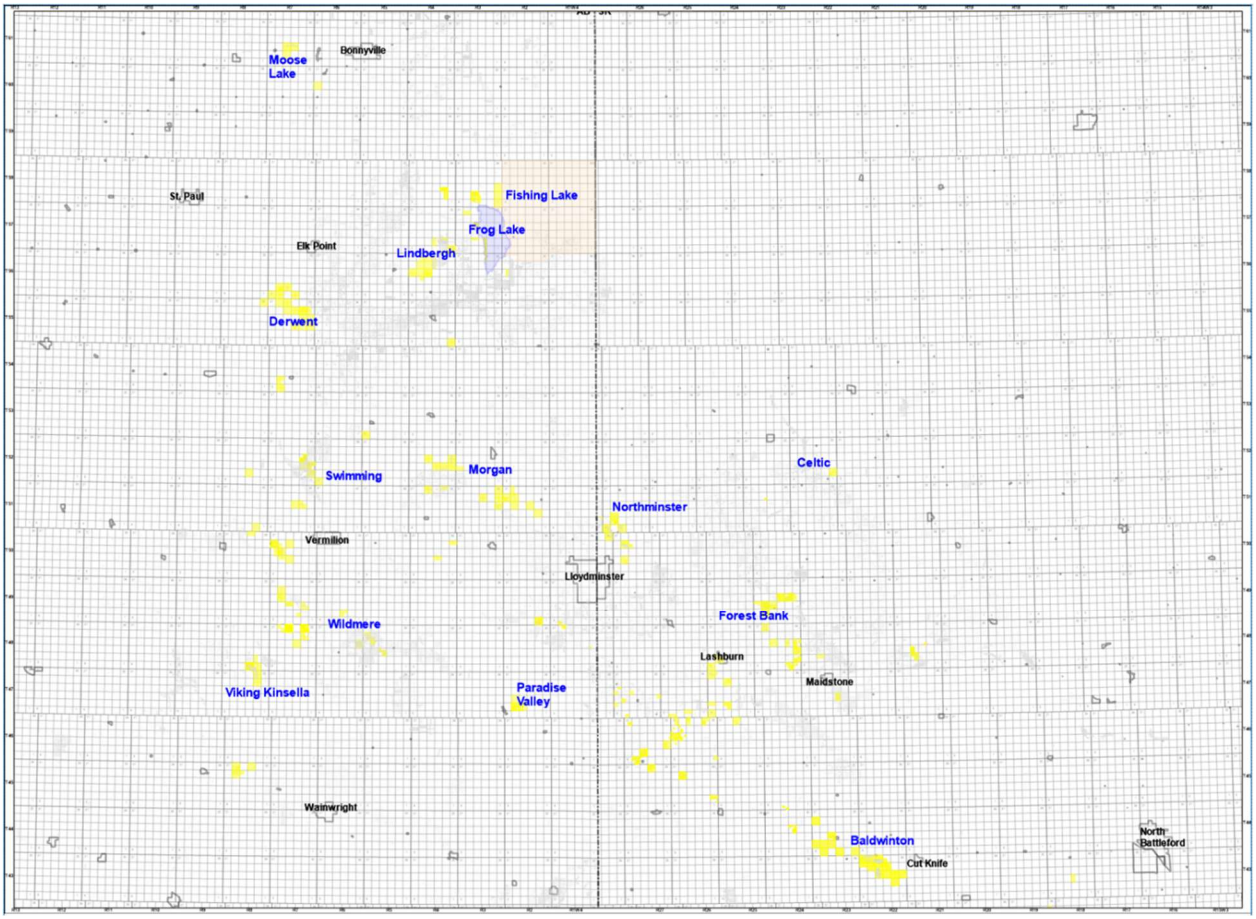
DESCRIPTION OF THE BUSINESS OF THE CORPORATION

Lycos is a crude oil and natural gas exploration, development and production company based in Calgary, Alberta, with operations in the Lloydminster and Greater Lloydminster area. As of December 31, 2024, Lycos' assets included proved plus probable reserves of a 16,837 mboe and 130,798 net acres of undeveloped and developed lands.

Description of Principal Properties

Lycos' principal oil and natural gas properties are focused in Lloydminster Saskatchewan, Lloydminster and Greater Lloydminster Alberta, as highlighted in the illustration below. Below the image is a description of Lycos' principal oil and natural gas properties as at December 31, 2024. Information in respect of current production is average production, net to Lycos' working interest, except where otherwise indicated. Estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Figure 1: Map of Lycos's interests in Alberta and Saskatchewan



Lloydminster, Saskatchewan

The Lloydminster Saskatchewan area includes Lycos operations at Forest Bank, Golden Lake, Lashburn, Neilburg, Northminster, Hoosier and Unwin-Epping and is situated in the Saskatchewan region near the city of Lloydminster, Saskatchewan. Lycos' production in the area is comprised of 12° to 14° API oil from several stacked Cretaceous aged reservoirs in the Mannville. Average production for the year ended December 31, 2024 was 580 boe/d, 100% of which was from heavy oil. Development includes applying multi-lateral horizontal technology to redevelop lands and increase overall recovery. At December 31, 2024, Lycos owned 89 gross (72.5 net) producing oil wells and numerous single and multi-well batteries located at individual well sites. The majority of Lycos' oil production from the Lloydminster area is processed at a third-party oil battery which is directly tied into the Manito Pipeline System. As at December 31, 2024, the Reserves Report attributed proved plus probable reserves of 2,219 mboe to this area, 100% of which was made up of heavy oil. As at December 31, 2024, the Corporation's interests in the Lloydminster Saskatchewan area consisted of approximately 40,821 net acres.

In 2024 in Lloydminster, Saskatchewan, the Corporation drilled 2.0 gross (2.0 net) wells in the Northminster area. All crude oil wells were on production by year-end 2024.

Lloydminster & Greater Lloydminster, Alberta

The Lloydminster & Greater Lloydminster Albera area includes operations at Elnora, Frog Lake, Fishing Lake, Bonnyville, Morgan, Sugden, Moose Lake, Lindbergh, Lloydminster, Swimming, Viking-Kinsella and

Wildmere. Lycos' production in the area is comprised of 12° to 14° API oil from several stacked Cretaceous aged reservoirs in the Manville. Average production for the year ended December 31, 2024 was 3,610 boe/d, 98% of which was from heavy oil. Development includes applying multileg horizontal technology to redevelop lands and increase overall recovery. At December 31, 2024, Lycos owned 101 gross (97.3 net) producing oil wells. The majority of the oil production is processed at a third-party oil battery which is directly tied into the Manito Pipeline System. As at December 31, 2024, the Reserves Report attributed proved plus probable reserves of 12,191 mboe to this area, 99% of which was made up of heavy oil. As at December 31, 2024, the lands held in the Lloydminster & Greater Lloydminster Alberta area consisted of approximately 76,524 net acres.

In 2024, in Lloydminster and Greater Lloydminster, Alberta, the Corporation drilled 25.0 gross (24.6 net) oil wells, of which 11.0 gross (11.0 net) wells were drilled in Wildmere, 4.0 gross (4.0 net) wells in Viking Kinsella, 3.0 gross (3.0 net) wells in Swimming, 2.0 gross (2.0 net) wells in Morgan, 2.0 gross (2.0 net) wells in Lindbergh, 2.0 gross (1.6 net) wells in Frog Lake and 1.0 gross (1.0 net) well in Moose Lake. All these wells were on production by year-end 2024.

Disposition of Non-Core Assets

On December 31, 2024, the Corporation completed the Saskatchewan Disposition, disposing of certain non-core assets and facilities in the Gull Lake and Lloydminster, Saskatchewan areas. Average production for the year ended December 31, 2024 was 284 boe/d, 97% of which was from heavy oil. As part of the transaction, Lycos retains the rights to drill on any and all undeveloped lands (approximately 13,453 net acres) by way of a sublease issued from the acquirer to Lycos. This lease is issued annually subject to Lycos drilling one well in the calendar year on the subject lands. As at December 31, 2024, the Reserves Report attributed proved plus probable reserves of 2,427 mboe to the sublease area, 98% of which was made up of heavy oil. For more information about the Saskatchewan Disposition, please refer to " *Statement of Reserves Data and Other Oil and Gas Information – Planned Capital Expenditures*" below.

Specialized Skill and Knowledge

Lycos relies on specialized skills and knowledge to gather, interpret and process geological and geophysical data; drill and complete wells; design and operate production facilities; and numerous additional activities required to explore for, acquire and produce oil and natural gas. Lycos' permanent staff have training and experience in the disciplines of engineering, finance, geology and land.

It is the belief of management that the Corporation's officers and employees, who have significant technical and operational oil and gas experience, hold the necessary skill sets to successfully execute Lycos' business strategy in order to achieve its corporate objectives.

Competitive Conditions

The oil and natural gas industry is intensely competitive in all of its phases. Lycos competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Lycos' competitors include resource companies which have greater financial resources, staff and facilities than those of Lycos. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery.

Cyclical and Seasonal Nature of Industry

The Corporation's financial performance and financial condition will be dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have an adverse effect on Lycos's financial condition. For more information, see "*Industry Conditions – Recent Developments*".

Economic Dependence

The Corporation has ensured economic diversity by not being substantially dependent on any single contract or license, such as a contract to sell the major part of its products or services or to purchase the majority of its goods, services or raw materials, or any franchise, licence or other agreement to use a patent, formula, trade secret, process or trade name upon which Lycos' business depends**.**

Changes to Contracts

The Corporation does not reasonably anticipate being materially affected by renegotiation or termination of contracts or sub-contracts.

Environmental Policies and Responsibility

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislations. Compliance with such legislation can require significant expenditures or result in operational restrictions. Breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness.

The operations of the Corporation are, and will continue to be, affected in varying degrees by laws and regulations regarding environmental protection. Lycos is committed to meeting its responsibilities to protect the environment and will be taking such steps as required to ensure compliance with environmental legislation in all jurisdictions in which it operates. For a further discussion of the environmental regulations affecting the oil and gas industry, see "*Industry Conditions*" and "*Risk Factors*".

Employees

As of December 31, 2024, Lycos employed 27 individuals at its head office in Calgary, Alberta and 8 individual(s) in the field.

Reorganizations

No material reorganizations have been completed within the three most recently completed years, or completed or proposed for the most recent financial year, other than the Business Combination and the CDLP Acquisition.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Reserves Data (Forecast Prices and Costs)

The reserves data set forth below (the "**Reserves Data**") is based upon the evaluation by Sproule with an effective date of December 31, 2024, contained in the Reserves Report with a preparation date of February 18, 2025. The Reserves Data summarizes the Crude Oil, NGL and natural gas reserves of the Corporation and the net present values of future net revenue for these reserves using forecast prices and costs. The Reserves Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101 and the COGE Handbook. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which Lycos believes is important to the readers of this information. The Corporation engaged Sproule to provide an evaluation of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

The net present value of future net revenue attributable to the Corporation's reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties,

production costs, development costs, other income, future capital expenditures, and well abandonment and reclamation costs. It should not be assumed that the estimates of future net revenues presented in the tables below represent 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 the Corporation's Crude Oil, NGL and natural gas reserves 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.

The properties evaluated are located in the Provinces of Alberta and Saskatchewan, Canada. **Numbers may not add due to rounding.**

SUMMARY OF OIL AND GAS RESERVES
(Forecast Costs and Prices)

Company Reserves										
Total Company	Heavy Oil (Mbbl)		Light and Medium Oil (Mbbl)		NGL (Mbbl)		Conventional Natural Gas (MMcf)		Total Oil Equivalent (Mboe)	
Reserves Category	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved Developed Producing	4,028	3,438	25	24	-	-	272	254	4,098	3,504
Proved Developed Non-Producing	157	136	-	-	-	-	-	-	157	136
Proved Undeveloped	6,326	5,185	-	-	0.3	0.3	96	89	6,343	5,200
Total Proved	10,510	8,758	25	24	0.3	0.3	368	343	10,597	8,840
Probable	6,194	5,021	10	9	0.4	0.4	214	198	6,240	5,063
Total Proved Plus Probable	16,705	13,779	35	33	0.7	0.7	582	541	16,837	13,903

Notes:
(1) Due to rounding, certain totals may not add.

NET PRESENT VALUES OF FUTURE NET REVENUE BEFORE INCOME TAXES DISCOUNTED AT (%/YEAR)
(Forecast Costs and Prices)

Net Present Value of Future Net Revenue							
Total Company	Before Income Taxes, Discounted at (% / year)					Unit Value Before Income Tax, Discounted at 10% / year	
Reserves Category	0% (M$)	5% (M$)	10% (M$)	15% (M$)	20% (M$)	$/boe	$/MCfe
Proved Developed Producing	110,730	107,308	100,898	94,231	88,120	28.80	4.80
Proved Developed Non-Producing	3,877	3,434	3,068	2,763	2,505	22.63	3.77
Proved Undeveloped	169,560	133,289	107,029	87,545	72,698	20.58	3.43
Total Proved	284,167	244,031	210,995	184,539	163,323	23.87	3.98
Probable	242,061	174,699	134,785	108,713	90,489	26.62	4.44
Total Proved Plus Probable	526,228	418,730	345,780	293,252	253,812	24.87	4.15

Notes:
(1) Due to rounding, certain totals may not add.
(2) Barrel of Oil Equivalent (BOE): 6 Mcf = 1 BOE.
(3) Unit values are based on net reserve volumes.

NET PRESENT VALUES OF FUTURE NET REVENUE AFTER INCOME TAXES DISCOUNTED AT (%/YEAR)
(Forecast Costs and Prices)

Net Present Value of Future Net Revenue							
Total Company	After Income Taxes, Discounted at (% / year)					Unit Value After Income Tax, Discounted at 10% / year	
Reserves Category	0% (M$)	5% (M$)	10% (M$)	15% (M$)	20% (M$)	$/boe	$/MCfe
Proved Developed Producing	110,730	107,308	100,898	94,231	88,120	28.80	4.80
Proved Developed Non-Producing	3,877	3,434	3,068	2,763	2,505	22.63	3.77
Proved Undeveloped	138,396	107,883	85,854	69,568	57,201	16.51	2.75
Total Proved	253,003	218,625	189,820	166,562	147,826	21.47	3.58
Probable	188,800	133,974	102,205	81,778	67,650	20.19	3.36
Total Proved Plus Probable	441,803	352,599	292,025	248,340	215,476	21.00	3.50

Notes:
(1) Due to rounding, certain totals may not add.
(2) Barrel of Oil Equivalent (BOE): 6 Mcf = 1 BOE.
(3) Unit values are based on net reserve volumes.

FUTURE NET REVENUE (UNDISCOUNTED)

Reserves Category	Company Revenue (M$)	Royalties (M$)	Development Costs (M$)	Abandonment Costs (M$)	Operating Expense (M$)	Future Net Revenue (M$)	Income Tax (M$)	Future Net Revenue After Income Tax (M$)
Proved Developed Producing	329,214	48,405	67	42,005	128,006	110,730	-	110,730
Total Proved	865,742	147,127	98,589	48,057	287,801	284,168	31,165	253,003
Total Proved Plus Probable	1,414,935	253,885	129,027	50,400	455,393	526,229	84,426	441,803

Notes:
(1) Due to rounding, certain totals may not add.

FUTURE NET REVENUE BY PRODUCT TYPE

Reserves Category	Production Group	Future Net Revenue Before Income Tax, Discounted at 10%/Year (M$)	Unit Value Before Income Tax, Discounted at 10%/Year ($/boe)	Unit Value Before Income Tax, Discounted at 10%/Year ($/Mcfe)
Proved Developed Producing				
	Heavy Oil	100,494	29.23	4.87
	Ligh/Medium Oil	404	16.98	2.83
	NGL	-	-	-
	Conventional Natural Gas	-	-	-
Total: Proved Developed Producing		**100,898**	**28.80**	**4.80**
Total Proved				
	Heavy Oil	210,591	24.04	4.01
	Ligh/Medium Oil	404	16.98	2.83
	NGL	-	-	-
	Conventional Natural Gas	-	-	-
Total: Total Proved		**210,995**	**23.87**	**3.98**
Total Proved Plus Probable				
	Heavy Oil	345,186	25.05	4.18
	Ligh/Medium Oil	595	18.08	3.01
	NGL	-	-	-
	Conventional Natural Gas	-	-	-
Total: Total Proved Developed Producing		**345,780**	**24.87**	**4.15**

Notes:
(1) Unit values are based on net reserve volumes.
(2) Barrel of Oil Equivalent (BOE): 6 Mcf = 1 BOE.
(3) Heavy oil values include solution gas and associated by-products.

PRICING ASSUMPTIONS

Sproule employed the following pricing and inflation rate assumptions as of December 31, 2024 in its evaluation in estimating reserves data using forecast prices and costs.

Year	WTI Cushing Oklahoma ($US/bbl)	Canadian Western Select 20.5 API ($Cdn/bbl)	Alberta AECO – C Spot ($Cdn/Mmbtu)	Edmonton Pentanes Plus ($Cdn/bbl)	Edmonton Butane ($Cdn/bbl)	Edmonton Propane ($Cdn/bbl)	Operating Cost Inflation Rate (%Yr)	Capital Cost Inflation Rate (%Yr)	Exchange Rate ($US/$Cdn)
Forecast									
2025	71.00	83.57	2.29	98.57	50.71	33.47	0%	0%	0.70
2026	76.00	87.59	3.42	102.07	52.41	34.59	2%	2%	0.73
2027	76.00	84.67	3.31	98.61	50.67	33.20	2%	2%	0.75
2028	77.52	86.36	3.35	100.59	51.68	33.86	2%	2%	0.75
2029	79.07	88.09	3.41	102.60	52.71	34.54	2%	2%	0.75
2030	80.65	89.85	3.48	104.65	53.77	35.23	2%	2%	0.75
2031	82.26	91.65	3.55	106.74	54.84	35.93	2%	2%	0.75
2032	83.91	93.48	3.62	108.88	55.94	36.65	2%	2%	0.75
2033	85.59	95.35	3.69	111.05	57.06	37.38	2%	2%	0.75
2034	87.30	97.26	3.77	113.28	58.20	38.13	2%	2%	0.75
Escalation Rate of 2.0% thereafter									

RECONCILIATION OF CHANGES IN RESERVES

Reserves Reconciliation

The following table sets forth a reconciliation of the changes in the Corporation's gross reserves as at December 31, 2024, against the Corporation's reserves as at December 31, 2023, the most recently completed financial year end (summarized in the tables above) based on the forecast price and cost assumptions evaluated in accordance with NI 51-101 definitions:

Total Company	Heavy Oil			Light / Medium Oil			Condensate		
Factors	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)
December 31, 2023	**9,837**	**7,430**	**17,267**	**34**	**12**	**46**	**-**	**-**	**-**
Discoveries	-	-	-	-	-	-	-	-	-
Extensions	2,543	904	3,447	-	-		-	-	-
Infill Drilling	793	389	1,183	-	-		-	-	-
Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	411	(1,350)	(939)	3	(3)	1	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-
Dispositions	(1,489)	(1,190)	(2,679)	-	-		-	-	-
Economic Factors	10	11	20	-	-		-	-	-
Production	(1,595)	-	(1,595)	(12)	-	(12)	-	-	-
December 31, 2024	**10,510**	**6,194**	**16,705**	**25**	**10**	**35**	**-**	**-**	**-**

Total Company	NGL			Conventional Natural Gas			Total BOE		
Factors	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Proved (Mboe)	Gross Probable (Mboe)	Gross Proved Plus Probable (Mboe)
December 31, 2023	**0.6**	**0.5**	**1.1**	**211**	**151**	**362**	**9,607**	**7,468**	**17,375**
Discoveries	-	-	-	-	-	-	-	-	-
Extensions	-	-	-	-	-	-	-	-	-
Infill Drilling	-	-	-	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	0.2	-	0.2	476	93	569	493	(1,337)	(843)
Acquisitions	-	-	-	-	-	-	-	-	-
Dispositions	(0.4)	(0.1)	(0.5)	(136)	(31)	(167)	(1,512)	(1,195)	(2,707)
Economic Factors	-	-	-	(1)	1	1	9	11	20
Production	(0.1)	-	(0.1)	(182)	-	(182)	(1,637)	-	(1,637)
December 31, 2024	**0.3**	**0.4**	**0.7**	**368**	**214**	**583**	**10,597**	**6,240**	**16,837**

Reserve Change Category Descriptions:

Discoveries:	Additions in fields/reservoirs where no reserves were previously booked.
Extensions:	Additions for step-out drilling in previously discovered/booked reservoirs.
Infill Drilling:	Additions for infill drilling in previously discovered/booked reservoirs. Not related to enhanced recovery schemes.
Improved Recovery:	Additions resulting from the initiation of improved recovery schemes.
Technical Revisions:	Positive or negative changes resulting from new technical data or revised interpretations of previously assigned reserves.
Acquisitions:	Additions related to purchasing oil and gas assets.
Dispositions:	Reductions related to selling oil and gas assets.
Economic Factors:	Changes due to different price forecasts, inflation rates, and regulatory changes.
Production:	Reductions due to production during the time period being reconciled.

Material changes in extensions were attributable to location additions associated with Lycos' 2024 development activity on lands acquired in the DCEL Acquisition. Reserve dispositions associated with disposals are attributable to the disposal of non-core assets in Gull Lake and Lloydminster Saskatchewan. Infill drilling and technical revisions were primarily related to well performance adjustments attributed to Lycos' 2024 capital program.

ADDITIONAL INFORMATION RELATING TO RESERVES DATA

Undeveloped Reserves

The following discussion generally describes the basis on which Lycos attributes proved and probable undeveloped reserves and its plans for developing those undeveloped reserves.

The Corporation attributed certain proved and probable undeveloped reserves. The Corporation plans to develop all its proved and probable undeveloped reserves within three years; however, these locations will continue to be re-evaluated to assess their relative economic merits when compared to other projects available and may choose to delay development depending on a number of circumstances, including the existence of higher priority expenditures and prevailing commodity prices and cash flow.

The following tables set forth the proved undeveloped reserves and the probable undeveloped reserves, each by product type, attributed to the Corporation's assets for the years ended December 31, 2024, 2023 and 2022.

Proved Undeveloped Reserves

Proved undeveloped reserves are generally those reserves related to wells that have been tested and not yet tied-in, wells drilled near the end of the fiscal year or wells further away from gathering systems. In addition, such reserves may relate to planned drilling locations.

SUMMARY OF UNDEVELOPED RESERVE VINTAGE BY PRODUCT TYPE - PROVED
(Forecast Prices & Costs)

Company Gross Reserves												
	Heavy Oil (Mbbl)		Light and Medium Oil (Mbbl)		Condensate (Mbbl)		NGL (Mbbl)		Conventional Natural Gas (MMcf)		Total Oil Equivalent (Mboe)	
Year	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total
Dec. 31, 2022	2,235	2,235	-	-	-	-	0.2	0.2	66	66	2,246	2,246
Dec. 31, 2023	4,368	5,523	-	-	-	-	-	0.2	-	74	4,368	5,535
Dec. 31, 2024	3,129	6,326	-	-	-	-	-	0.3	-	96	3,129	6,343

Probable Undeveloped Reserves

Probable reserves are generally reserves tested or indicated by analogy to be productive, drilling locations and lands contiguous to production.

SUMMARY OF UNDEVELOPED RESERVE VINTAGE BY PRODUCT TYPE - PROBABLE
(Forecast Prices & Costs)

Company Gross Reserves												
	Heavy Oil (Mbbl)		Light and Medium Oil (Mbbl)		Condensate (Mbbl)		NGL (Mbbl)		Conventional Natural Gas (MMcf)		Total Oil Equivalent (Mboe)	
Year	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total
Dec. 31, 2022	3,069	3,069	-	-	-	-	0.3	0.3	106	106	3,086	3,086
Dec. 31, 2023	3,798	6,082	-	-	-	-	-	0.4	-	120	3,798	6,102
Dec. 31, 2024	1,245	4,962	-	-	-	-	-	0.4	-	137	1,245	4,986

Significant Factors or Uncertainties

The evaluated oil and gas properties of the Corporation have no material extraordinary risks or uncertainties beyond those which are inherent of an oil and gas producing company. Some of these risks are noted below.

The process of estimating reserves is complex. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and natural gas prices and costs change. Estimates are reviewed and revised, either upward or downward, as warranted by newly acquired information.

The evaluation and drilling of hydrocarbon targets may be curtailed, delayed or cancelled by the unavailability or prevailing cost of drilling rigs or technical contractors, mechanical difficulties, adverse weather and ocean conditions, environmental issues, political or social unrest, technical hazards, such as unusual or unexpected formations or pressures or because of issues related to compliance with government regulations or requirements. Drilling may result in unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though yielding some hydrocarbons, are not sufficiently productive to economically justify commercial development. Furthermore, the successful completion of a well does not assure a profit on investment or the recovery of drilling, completion, and operating costs.

Future Development Costs

The following table sets forth the development costs which have been deducted in the estimation of the Corporation's future net revenues of the reserves evaluated in the Reserves Report for the year ended December 31, 2024.

Future Development Costs
Estimated Using Forecast Prices and Costs (Undiscounted)

	Year				
Reserves Category	2025 (M$)	2026 (M$)	2027 (M$)	2028 (M$)	2029 (M$)
Proved Developed Producing	67	-	-	-	-
Proved Developed Non-Producing	525	43	-	-	-
Proved Undeveloped	60,399	30,998	6,557	-	-
Total Proved	**60,991**	**31,041**	**6,557**	**-**	**-**
Probable	20,419	5,501	4,519	-	-
Total Proved Plus Probable	**81,410**	**36,542**	**11,076**	**-**	**-**

The Corporation can fund its capital expenditure programs through internally generated cash flow from operations, debt financing when appropriate, new issues of Common Shares, if available on favourable terms, and funds raised from the sale of non-core assets, or a combination thereof. Lycos' anticipates 2025 capital expenditures of $80.0 million for exploration and development activities in Lloydminster, Saskatchewan and Lloydminster & Greater Lloydminster, Alberta. The 2025 capital expenditures budget includes expenditures for exploration capital that are not contained in the Reserves Report. The Corporation expects to fund the above future development costs primarily through existing working capital, debt or equity financings, if necessary. Lycos' capital program does not include any new acquisition opportunities, which would likely be financed through equity financing and/or debt financing. There can be no guarantee that the Board of Directors will allocate funding to develop all of the reserves attributed in the Reserves Report. Failure to develop those reserves could have a negative impact on the Corporation's future cash flow.

Interest or other costs of external funding are not included in the Corporation's reserves and future net revenue estimates and would reduce reserves and future net revenue to some degree depending upon the funding sources utilized. The Corporation does not anticipate that interest or other funding costs would make development of any its properties uneconomic.

OTHER OIL AND GAS INFORMATION

Oil and Gas Properties

The following table sets forth the number and status of wells as at December 31, 2024 in which Lycos has a working interest. All of the wells in which Lycos has an interest are located in the Provinces of Alberta and Saskatchewan.

Property Description	Oil		Gas	
	Gross	Net	Gross	Net
Producing	190	170	0	0
Non-Producing	435	408	13	11
Total	625	578	13	11

Notes:
1. "**Gross**" wells mean the number of wells in which Lycos has a working interest or a royalty interest that may be converted into a working interest.
2. "**Net**" wells mean the aggregate number of wells obtained by multiplying each gross well by Lycos percentage working interest therein.

For more information about the Corporation's oil and gas properties, please see "*Description of the Business of the Corporation*".

Properties With No Attributed Reserves

The following table sets out the Corporation's developed and undeveloped land holdings as at December 31, 2024:

Province	Undeveloped Acres		Developed Acres		Total[(1)(2)(3)]	
	Gross	Net	Gross	Net	Gross	Net
Alberta	60,364	59,085	19,176	17,439	79,540	76,524
Saskatchewan	43,316	43,110	13,930	11,164	57,246	54,274
Total	**103,680**	**102,195**	**33,106**	**28,603**	**136,786**	**130,798**

Notes:
1. The Corporation included 13,453 net acres in Saskatchewan by way of a sublease issued with the Saskatchewan Disposition. The lease is issued annually and subject to Lycos drilling one well in the calendar year on the subject lands.
2. Lycos has a 2 well drilling commitment in the Greater Lloydminster area. The Corporation intends to fulfill these commitments within its normal course development drilling program.
3. When determining gross and net acreage for two or more leases covering the same lands but different rights, the acreage is reported for each lease. Where there are multiple discontinuous rights in a single lease, the acreage is reported only once.

Forward Contracts

The Corporation is exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. A variety of derivative instruments may be used by Lycos from time to time to reduce its exposure to fluctuations in commodity prices and foreign exchange rates. The Corporation is exposed to losses in the event of default by the counterparties to these derivative instruments. The Corporation manages this risk by contracting with large, well-capitalized counterparties.

Lycos may use certain financial instruments to hedge exposure to commodity price fluctuations on a portion of its future crude oil and natural gas production. For further information, see "*Risk Factors – Hedging*".

For details of the Corporation's forward contracts in place as at December 31, 2024, see the Corporation's audited annual financial statements for the year ended December 31, 2024, which have been filed on SEDAR+ and may be viewed under the Corporation's profile at www.sedarplus.ca. See "*Risk Factors – Hedging*".

Additional Information Concerning Abandonment and Reclamation Costs

The Corporation performs an annual review of its forecasted abandonment and site reclamation ("**Abandonment**") costs. These costs are based on information published by the AER with respect to AER Licensee Liability Management Program in Alberta (in respect of the Corporation's Alberta assets) and by

the Saskatchewan Licensee Liability Rating Program (in respect of the Corporation's Saskatchewan assets). The Corporation's review is further augmented with adjustments on an individual well and facility basis. The review considers the following factors in assessing liability: well depth, nature of the production stream, the nature, location and condition of the surface lease, age of the well and/or facility and number of zones to be abandoned. The Abandonment and Reclamation costs estimated here include non-producing wellbores that have no attributed reserves.

Total Abandonment and Reclamation costs are included in the reserves data summarized as follows:

Year	Proved Developed Producing (M$)	Total Proved (M$)	Total Proved Plus Probable (M$)
2025	1,600	1,600	1,600
2026	1,632	1,632	1,632
2027	1,665	1,665	1,665
2028	1,698	1,698	1,698
2029	1,732	1,732	1,732
2030	1,767	1,767	1,767
2031	1,802	1,802	1,802
2032	1,838	1,838	1,838
2033	1,875	1,875	1,875
2034	1,912	2,093	1,912
2035	1,950	1,950	2,217
2036	1,989	2,177	2,069
2037	2,029	2,521	2,325
2038	2,070	2,409	2,239
2039	2,111	2,885	2,515
Subtotal	27,670	29,642	28,884
Remainder	14,336	18,415	21,516
Total	42,005	48,057	50,400

Notes:
1. Due to rounding, certain totals may not add.
2. Values above represent inflated abandonment and reclamation costs from cash flows.

Additional information related to the Corporation's estimated share of future environmental and reclamation obligations for the working interest properties (including all abandonment and reclamation costs associated with all existing wells, facilities and infrastructure) can be found in Lycos' audited financial statements for the year ended December 31, 2024 and the accompanying management's discussion and analysis, which have been filed on SEDAR+ and may be viewed under the Corporation's profile at www.sedarplus.ca.

Tax Horizon

Based on planned capital expenditures and the forecast commodity pricing employed in the Reserves Report, the Corporation estimates that it will not be required to pay current income taxes before 2027.

Costs Incurred

The following table summarizes the capital expenditures related to the Corporation's activities for the year ended December 31, 2024 related to exploration, development, and evaluation expenditures and property and equipment:

Year ended Dec. 31, 2024	Property Acquisition Costs		Exploration Costs (M$)	Development Costs (M$)
Country	Proved Properties (M$)	Unproved Properties (M$)		
Canada	-	-	21,456	46,357

The Corporation has no interests in or expenditures for non-conventional oil and gas properties.

Exploration and Development Activities

The following table sets forth the gross and net exploration and development wells drilled by the Corporation based on rig release date during the year ended December 31, 2024:

Activity	Exploration Wells		Development Wells	
	Gross [1]	Net [2]	Gross [1]	Net [2]
Oil Wells	-	-	26	25.6
Disposal Wells	-	-	1	1.0
Total Wells	-	-	27	26.6

Notes:
1. "**Gross Wells**" are the total number of wells in which the Corporation has an interest.
2. "**Net Wells**" are the number of wells obtained by aggregating the Corporation's working interest in each of its gross wells.

Planned Capital Expenditures

On January 6, 2025, the Corporation has announced a planned capital expenditures budget of $80.0 million for 2025. The budget includes the drilling of 32 (31.8 net) multi-lateral wells targeting existing pools in the Manville stack, as well as new tests in five undrilled areas. The capital budget is expected to result in 2025 annual average production of 5,200 boe/d (99% oil).

Production Estimates

The following table discloses for each product type the total volume of production estimated by Sproule for 2025 in the estimates of future net revenue from the forecast case of proved plus probable reserves disclosed above under the heading "*Oil and Natural Gas Reserves and Net Present Value of Future Net Revenue*".

Company Gross (2025)										
Total Company	Heavy Oil (bbl/d)		Light/Medium Oil (bbl/d)		NGL (bbl/d)		Conventional Natural Gas (Mmcf/d)		Total Oil Equivalent (boe/d)	
Reserves Category	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Total Proved										
SW Saskatchewan	189	166	-	-	-	-	7	6	190	167
Lloydminster Saskatchewan	616	520	-	-	-	-	-	-	616	520
Lloydminster/Greater Lloydminster Alberta	4,816	3,909	19	18	-	-	186	175	4,866	3,956
Total Proved	**5,621**	**4,595**	**19**	**18**	**-**	**-**	**193**	**181**	**5,671**	**4,643**
SW Saskatchewan	371	329	-	-	-	-	10	9	373	331
Lloydminster Saskatchewan	830	716	-	-	-	-	-	-	830	716
Lloydminster/Greater Lloydminster Alberta	5,910	4,786	20	19	-	-	200	187	5,963	4,837
Total Proved Plus Probable	**7,110**	**5,832**	**20**	**19**	**-**	**-**	**209**	**196**	**7,165**	**5,883**

Notes:
1. Due to rounding, certain totals may not add.
2. Rate represent full year (365 day) average rates

Production History

The following tables set forth certain information in respect of production, product prices received, royalties, production costs and netbacks received by the Corporation for each quarter of its most recently completed financial year:

Total Company	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Company Gross Production				
Heavy Oil (bbl/d)	3,804	4,614	4,728	4,421
Natural Gas (Mcf/d)	218	209	651	149
Boe/d	3,840	4,648	4,836	4,570
Average Prices				
Heavy Oil ($/bbl)	68.81	84.85	77.96	73.91
Natural Gas ($/bbl)	2.07	0.21	0.45	0.92
$/boe	68.27	84.23	76.27	71.68

Royalties

Total Company	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Royalties (M$)	3,706	4,876	4,940	4,176
$/boe	10.61	11.53	11.10	9.93
Percent of Revenue (%)	15.5%	13.7%	14.6%	13.9%

Net Operating Expenses

Total Company	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Net Operating Expense (M$)	8,904	9,584	9,823	9,200
$/boe	25.48	22.66	22.08	21.88

Transportation Expenses

Total Company	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Transportation Expense (M$)	591	647	576	619
$/boe	1.69	1.53	1.29	1.47

Operating Netbacks

Total Company	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Production (boe/d)	3,840	4,648	4,836	4,570
Revenue ($/boe)	68.27	84.23	76.27	71.68
Royalties ($/boe)	10.61	11.53	11.10	9.93
Net Operating Expense ($/boe)	25.48	22.66	22.08	21.88
Transportation Expense ($/boe)	1.69	1.53	1.29	1.47
Operating Netback ($/boe)	30.49	48.51	41.80	38.40

Notes:
1. Operating Netback is calculated by deducting royalties paid, net operating expense, and transportation from prices received, excluding the effects of hedging.

Production Volume by Field

The following table discloses for each important field and in total, the Corporation's production volume for the year ended December 31, 2024 for each product type:

Field	2024 Company Gross					
	Heavy Oil (bbl/d)	Light/Medium Oil (bbl/d)	Condensate (bbl/d)	NGL (bbl/d)	Natural Gas (Mcf/d)	Total (boe/d)
Canada						
Southwest Saskatchewan	255	-	-	1	43	263
Lloydminster, Saskatchewan	602	-	-	-	1	602
Lloydminster/Greater Lloydminster Alberta	3,535	-	-	-	451	3,610
Total	4,392	-	-	1	494	4,475

Notes:
1. The Corporation has disclosed Light/Medium Oil product type with Heavy oil due to the insignificant magnitude of Light/Medium Oil.

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive regulation and control of operations (including with respect to land tenure, exploration, development, production, refining and upgrading, transportation and marketing) as a result of legislation enacted by various levels of government and with respect to the pricing and taxation of crude oil and natural gas through legislation enacted by, and agreements among, the federal and provincial governments of Canada, all of which should be carefully considered by investors in the

Canadian petroleum and natural gas industry. All current legislation is a matter of public record and the Corporation is unable to predict what additional legislation or amendments may be enacted. While it is not expected that any of these controls or regulations will affect the operations of the Corporation in a manner materially different than they would affect other oil and gas corporations of similar size, investors should consider these factors carefully. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and natural gas industry in Western Canada.

Pricing and Marketing in Canada

Crude Oil

In Canada, oil producers are entitled to negotiate volume and sales contracts directly with oil purchasers, which means that the market determines the price of oil. Oil prices are primarily based on worldwide supply and demand, but regional market and transportation issues also influence prices. Specific prices that a producer receives will depend, in part, on oil quality, prices of competing fuels, distance to market, offtake capacity, access to downstream transportation, value of refined products, length of contract term, weather conditions, the balance of supply and demand and other contractual terms. The trajectory of oil prices continues to be subject to uncertainty and volatility, factors such as transportation disruptions, supply constraints and the conflict in Ukraine continue to be unpredictable and may have an ongoing impact on oil demand and prices. See "*Risk Factors – Political Uncertainty*" and "*Risk Factors – Commodity Prices, Markets and Marketing*".

Despite the possibility of a decline in oil and gas demand resulting from potential tariffs to be imposed by the Trump Administration on crude oil exports from Canada, it has been forecasted in 2025 that Canadian oil and gas producers will increase output. The anticipated growth in production is supported by the increased pipeline capacity of Trans Mountain Pipeline to a total of 890,000 barrels per day since its expansion opened in May, 2024, the anticipated commercial operation of LNG Canada's export terminal in mid-2025 and increase in export capacity on its U.S. pipeline system moving Canadian production to Midwest and Gulf Coast refineries. Notwithstanding the foregoing, the status of tariffs and trade restrictions is evolving and the details and timing of such developments remain subject to significant uncertainty and as such, the scope, duration and impact of such factors cannot be predicted. In addition, the market for crude oil is likely to be impacted by recent announcements by OPEC+ to increase output, the effects of which remain to be seen. See "*Risk Factors – Impact of U.S. Legislative and Regulatory Policies*".

Natural Gas Liquids

The pricing of condensates and other NGLs consisting of ethane, butane, propane and pentane plus sold in intra-provincial, interprovincial and international trade is determined by negotiation between buyers and sellers. The profitability of NGLs extracted from natural gas is based on the products extracted being of greater economic value as separate commodities than as components of natural gas and therefore commanding higher prices. Such prices depend, in part, on the quality of the NGLs, price of competing chemical stock, distance to market, access to downstream transportation, length of contract term, supply/demand balance, access to liquids fractionation, and other contractual terms.

Natural Gas

In Canada, natural gas producers can negotiate volume and sales contracts directly with purchasers. The price is established by local and global market forces. The price received by a natural gas producer depends, in part, on the price of competing natural gas supplies and other fuels, natural gas quality, distance to market, availability of transportation, length of contract term, weather conditions, supply/demand balance and other contractual terms of sale. Spot and future prices can also be influenced by supply and demand fundamentals on various trading platforms.

Despite expectations that export capacity will increase in Canada as a result of the anticipated commercial operation of LNG Canada to Asia markets in mid-2025, natural gas prices are expected to remain subdued

in 2025 in light of the warmer 2024/25 winter and elevated supplies relative to lower local demand. High production levels in both Canada and the U.S., alongside elevated storage reserves in North America have collectively contributed to lower natural gas prices.

Exports from Canada

The Canadian Energy Regulator's ("CER") governing legislation is the Canadian Energy Regulator Act (Canada), S.C. 2020, c.28 ("CERA") and the Amended IAA (as defined herein). The CER responsibilities include general oversight of Canada's oil and natural gas industry, including to the development of multi-jurisdictional development projects and the export of crude oil, NGLs and natural gas from Canada.

Exports of crude oil, NGLs and natural gas from Canada are subject to CERA and remain subject to the *National Energy Board Act Part VI (Oil and Gas) Regulation* (the "**Part VI Regulation**"). The CERA and the Part VI Regulation authorize crude oil, NGLs and natural gas exports under: (i) short-term orders for up to one or two years depending on the substance, and up to 20 years for quantities of natural gas not exceeding 30,000 m^3 per day; or (ii) long-term export licences of up to 40 years for natural gas and up to 25 years for crude oil and other substances (e.g. NGLs). In addition to CER approval, long-term export licences also require various other ministerial and federal Cabinet approvals. Receipt of such approvals are subject to uncertainty.

Transportation Constraints, Pipeline Capacity and Market Access

A major constraint to the export of crude oil, NGLs and natural gas is the deficit of transportation capacity to transport production from Western Canada to the U.S. and other international markets. Although numerous pipeline transportation projects have been announced or are underway, many proposed projects have been cancelled or delayed due to regulatory hurdles, court challenges and economic and other socio-political factors. Due in part to growing production and a lack of new and expanded pipeline and rail infrastructure capacity, producers in Western Canada have experienced low commodity pricing relative to other markets in the last several years.

Pipelines

Producers negotiate with pipeline operators to transport their products to market on a firm, spot or interruptible basis depending on the specific pipeline and the specific substance. Transportation availability is highly variable across different jurisdictions and regions. This variability can determine the nature of transportation commitments available, the number of potential customers and the price received.

Under the Canadian Constitution, interprovincial and international pipelines fall within the federal government's jurisdiction and, under the CERA, construction of interprovincial and international pipelines (new or expansion capacity) will require a federal regulatory review and Cabinet approval before they can proceed. Recent years have seen a perceived lack of policy and regulatory certainty such that, even when projects are approved they often face delays due to actions taken by provincial and municipal governments, public interest groups and legal opposition related to issues such as Indigenous rights and title, the government's duty to consult and accommodate Indigenous peoples and the sufficiency of all relevant environmental review processes. Export pipelines from Canada to the United States face additional unpredictability as such pipelines require approvals of several levels of government in the United States.

Specific Pipeline Updates

In December 2023, Michigan Regulators approved Enbridge's Line 5 Tunnel Replacement Project ("**Line 5**"), marking the end of a more than three year long evaluation process. Line 5 is seen as crucial infrastructure supplying Michigan, Ontario and Quebec. This approval begins the process of replacing seven (7) kilometres of the current pipeline with a new underwater tunnel in the Straights of Mackinac. The pipeline will be housed within a concrete tunnel beneath the lakebed. The tunnel project must first be approved by the U.S. Army Corps of Engineers at the United States federal level before construction can

commence. The U.S. Army Corps of Engineers has initiated an environmental impact assessment, which is expected to be completed by 2026.

Construction of the Trans Mountain Pipeline expansion, which received Cabinet approval in November 2016, was completed and commenced commercial operations in April 2024, and service began in May 2024. The original pipeline and the newly completed expansion now operate collectively. As announced by Trans Mountain on February 3, 2025, since May 1, 2024, the company has sent roughly half of the shipments from its marine terminal to countries other than the United States on the Pacific Rim, and half have gone to refineries on the west coast of the United States.

The United States presidential election concluded in the fall of 2024, which led to the inauguration of President Trump. The 2024 election allowed Republicans to gain a three-seat majority in the U.S. Senate and maintain control of the U.S. House of Representatives. Uncertainty remains as to the advancement of pipeline projects between Canada and the United States.

Marine Tankers

Bill C-48 received royal assent on June 21, 2019, enacting the *Oil Tanker Moratorium Act*, which imposes a ban on tanker traffic transporting certain crude oil and NGLs or persistent crude oil products in excess of 12,500 metric tonnes along British Columbia's north coast. The ban may prevent pipelines from being built to, and export terminals from being located on, the portion of the British Columbia coast subject to the moratorium. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation – Federal*".

Crude Oil and Bitumen by Rail

Following two train derailments that led to fires and oil spills in Saskatchewan, the federal government announced in February 2020, pursuant to Ministerial Order 20-06, that trains hauling more than 20 cars carrying dangerous goods, including crude oil and diluted bitumen, would be subject to reduced speed limits. The order was updated in early April 2020 and will remain in place until permanent rule changes are approved. As a result, trains subject to the order will be required to adhere to the reduced speed limits announced in February 2020 within metropolitan areas, with further mandatory speed reductions applying outside of metropolitan areas during winter months (November 15 to March 15). As of March 2025, no permanent rules have been approved.

Natural Gas and LNG

Natural gas prices in Alberta have also been constrained in recent years due to increasing North American supply, limited access to markets and limited storage capacity. Companies that secure firm access to infrastructure to transport their natural gas production out of Western Canada may be able to access more markets and obtain better pricing. Companies without firm access may be forced to accept spot pricing in Western Canada for their natural gas, which is generally lower than the price received in other North American markets.

Required repairs or upgrades to existing pipeline systems in Western Canada have also led to further reduced capacity and apportionment of access, the effects of which have been exacerbated by storage limitations. In October 2020, TC Energy Corporation ("**TC Energy**") received federal approval to expand the NOVA Gas Transmission Ltd. pipeline network (the "**NGTL System**") to prioritize deliveries into storage (the "**Temporary Service Protocol**"). The NGTL System is in the midst of implementing a $9.9 billion infrastructure program to add 3.58 billion cubic feet per day of capacity. Once complete, the project will allow producers in northeastern British Columbia to transport natural gas to the LNG Canada liquefaction facility and export terminal in Kitimat, British Columbia via the Coastal GasLink pipeline. LNG Canada eventually plans to double the facility's capacity with a proposed Phase 2 expansion. In addition, in June 2024 the proposed Cedar LNG project, a floating LNG facility also located in British Columbia, reached a successful final investment decision, and is expected to be in service in late 2028.

Development of both provincial and federal frameworks may also impose restrictions on natural gas and LNG projects in Canada, particularly as provincial and federal governments work to achieve emissions reduction targets. Such frameworks are expected to introduce more stringent restrictions on carbon emissions, with the potential for increased compliance costs, operational delays and restrictions on new project approvals. See also “Industry Conditions – Federal Environmental Regulations”, “Industry Conditions – Alberta Environmental Regulations”, “Industry Conditions – Federal Climate Change Regulations” and “Industry Conditions – Alberta Climate Change Regulations”.

Specific Pipeline and Proposed LNG Export Terminal Updates

While a number of LNG export plants have been proposed in Canada, regulatory and legal uncertainty, opposition from environmental and Indigenous groups and changing market conditions have resulted in the cancellation or delay of many of these projects.

In December 2019, the GER approved a 40-year export licence for the Kitimat LNG project (the "**Woodfibre LNG Project**"), a proposed joint venture between Chevron Canada Limited and Woodside Energy International (Canada) Limited, a subsidiary of Woodside Petroleum Ltd. The Woodfibre LNG Project is a small-scale LNG processing and export facility near Squamish, British Columbia. The BC Oil and Gas Commission approved a project permit for the Woodfibre LNG Project in July 2019. On July 31, 2023, the project officially commenced construction on the first of the proposed eighteen modules for the project and continued construction throughout 2024. The Woodfibre LNG Project is expected to be substantially completed in the third quarter of 2027.

Construction of the Trans Mountain Pipeline expansion, which received Cabinet approval in November 2016, was completed in April 2024, and service began in May 2024. The original pipeline and the newly completed expansion now operate collectively. With the expansion completed, the system's nominal capacity increased from approximately 300,000 to 890,000 barrels per day, and the expansion included three new berths at Westridge Marine Terminal in British Columbia.

The United States Mexico Canada Agreement and Other Trade Agreements

NAFTA / USMCA

On July 1, 2020, the North American Free Trade Agreement ("**NAFTA**"), a free trade agreement among the governments of Canada, the United States and Mexico, was replaced by a new trade agreement, widely referred to as the United States Mexico Canada Agreement ("**USMCA**"), and sometimes referred to as the Canada United States Mexico Agreement ("**CUSMA**"). As the United States remains Canada's primary trading partner and the largest international market for the export of crude oil, NGLs and natural gas from Canada, the implementation of the USMCA could have an impact on Western Canada's petroleum and natural gas industry at large, including the Corporation's business.

More recently, the U.S. Federal Government announced the imposition of a 10% tariff on Canadian oil and natural gas exports. There remains uncertainty regarding whether products that qualify under the USMCA will continue to be exempt from such tariffs. The Corporation is unable to predict with certainty what the impact of such tariffs will have on the business; however, there could be a significant negative impact to the price Lycos receives for its oil sales. As Canada-U.S. trade relations continue to evolve, the potential for further tariff-related conflicts could introduce additional volatility and risks to the Corporation’s operations.

Other Trade Agreements

Canada and ten other countries recently concluded discussions and agreed on the draft text of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("**CPTPP**"), which is intended to allow for preferential market access among the countries that are parties to the CPTPP. The CPTPP is in

force among Canada, Australia, Japan, Mexico, New Zealand, Vietnam, Singapore, Peru, Malaysia, Chile and Brunei.

Canada has also pursued a number of other international free trade agreements with countries around the world and, as a result, a number of free trade or similar agreements are in force between Canada and certain other countries. Canada and the European Union recently agreed to the Comprehensive Economic and Trade Agreement ("**CETA**"), which provides for duty-free, quota-free market access for Canadian crude oil and natural gas products to the European Union. Although CETA has not received full ratification by national legislatures in the European Union, provisional application of CETA commenced on September 21, 2017. In light of the United Kingdom's departure from the European Union ("**Brexit**") on January 31, 2020, the United Kingdom and Canada have reached an interim post-Brexit trade agreement, the Canada-United Kingdom Trade Continuity Agreement ("**CUKTCA**"). On December 9, 2020, the Government of Canada introduced Bill C-18, an Act to Implement the Trade Continuity Agreement, which received royal assent on March 17, 2021. CETA ceased to apply to Canada-United Kingdom trade on January 1, 2021, and CUKTCA came into force on April 1, 2021. The CUKTCA replicates CETA on a bilateral basis and is meant to maintain the status quo of the Canada-United Kingdom trade relationship.

In August 2023, an updated version of the Canadian Free Trade Agreement ("**CFTA**") was published, aiming to revamp the Agreement on International Trade to create a more robust and equitable trade environment within Canada.

While it is uncertain what effect CETA, CPTPP, CUKTCA, CFTA or any other trade agreements will have on the oil and gas industry in Canada, the lack of available infrastructure for the offshore export of oil and gas may limit the ability of Canadian oil and gas producers to benefit from such trade agreements.

Land Tenure

Crude oil and natural gas located in the western provinces is owned predominantly by the respective provincial governments (i.e. the Crown). Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences and permits for varying terms, and on conditions set forth in provincial legislation, including requirements to perform specific work or make payments. The provincial governments in Western Canada's provinces conduct regular land sales where crude oil and natural gas companies bid for leases to explore for and produce crude oil and natural gas pursuant to mineral rights owned by the respective provincial governments. The leases generally have a fixed term; however, a lease may generally be continued after the initial term where certain minimum thresholds of production have been reached, all lease rental payments have been paid on time and other conditions are satisfied.

To develop crude oil and natural gas resources, it is necessary for the mineral rights owner to have access to the surface lands as well. For Crown lands, surface access rights can be obtained directly from the government. For private lands, access rights can be negotiated with the landowner. Where an agreement cannot be reached however, each province has developed its own process that producers can follow to obtain and maintain surface access necessary to conduct operations that operators must follow throughout the lifespan of a well, including notification requirements and providing compensation for affected persons for lost land use and surface damage. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Each of the provinces in Western Canada have implemented legislation providing for the reversion to the Crown of mineral rights to deep, non-productive geological formations at the conclusion of the primary term of a lease or license. In addition, Alberta has a policy of "shallow rights reversion" which provides for the reversion to the Crown of mineral rights to shallow, non-productive geological formations for all leases and licenses. For leases and licenses issued subsequent to January 1, 2009, shallow rights reversion will be applied at the conclusion of the primary term of the lease or license. British Columbia has a policy of "zone specific retention" that allows a lessee to continue a lease for zones in which they can demonstrate the

presence of oil or natural gas, with the remainder reverting to the Crown. Such reversionary rights may impact any gross overriding royalty interests ("**GORR Interests**") granted out of Crown leases.

In addition to Crown ownership of the rights to crude oil and natural gas, private ownership of crude oil and natural gas (i.e. freehold mineral lands) also exists in Western Canada. Rights to explore for and produce privately owned oil and natural gas are granted by a lease or other contract on such terms and conditions as may be negotiated between the owner of such mineral rights and companies seeking to explore for and/or develop oil and natural gas reserves.

An additional category of mineral rights ownership includes ownership by the Canadian Federal Government of some legacy mineral lands and within Indigenous reservations designated under the *Indian Act* (Canada). Indian Oil and Gas Canada ("**IOGC**"), which is a federal government agency, manages subsurface and surface leases, in consultation with the applicable Indigenous peoples, for the exploration and production of crude oil and natural gas on Indigenous reservations.

The GORR Interests are royalty interests that are granted or carved out of leasehold interests (created through the issuance of a lease by the Crown or fee simple mineral title owner). As such, the continued existence and value of the GORR Interests is dependent upon the validity and terms of the leasehold interest out of which they were granted.

In respect of the GORR Interests granted out of Crown leases, in addition to the varying terms and conditions set forth in provincial legislation, as discussed above, the provinces of Alberta, British Columbia, Saskatchewan and Manitoba have implemented legislation providing for the reversion to the Crown of mineral rights to non-productive geological formations at the conclusion of the primary term of a lease or licence.

Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations which govern royalties, production rates and other matters. Provincial royalty regimes operate in conjunction with applicable federal and provincial taxes and are a significant factor in the profitability of oil sands projects and oil, NGLs and natural gas production. Royalties payable on production from lands where the Crown does not hold the mineral rights are negotiated between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Royalties from production on Crown lands are determined by governmental regulation and are generally calculated as a percentage of the value of production. Other royalties and royalty-like interests are, from time to time, carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests or net carried interests.

Occasionally the governments of the western Canadian provinces have established incentive programs for exploration and development. Such programs often provide for volume-based incentive programs, royalty rate reductions, royalty holidays or royalty tax credits and may be introduced when commodity prices are low. The incentive programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry. In addition, incentive programs may be introduced to encourage producers to prioritize certain kinds of development or undertake initiatives using new technologies that may enhance or improve recovery of crude oil, NGLs and natural gas, or improve environmental performance.

The federal government also creates incentives and other financial aid programs intended to assist businesses operating in the petroleum and natural gas industry. Recently, these programs, including, but not limited to, programs that provide direct financial support to companies operating in the petroleum and natural gas industry and/or targeted funding for various initiatives related to industry diversification and environmental matters, have been administered through federal agencies such as the Business Development Bank of Canada, Natural Resources Canada, Export Development Canada, and Innovation, Science and Economic Development Canada.

Producers and working interest owners of oil and natural gas rights may also create additional royalties or royalty-like interests through non-public transactions, which include the creation of instruments such as overriding royalties, net profits interests and net carried interests, the terms of which are subject to negotiation.

Alberta

In Alberta, provincially set royalty rates apply to Crown-owned mineral rights and crude oil and natural gas producers are responsible for calculating their royalty rate on an ongoing basis.

Under Alberta's modern royalty framework (the "**MRF**"), royalty percentages are applied to the gross revenue generated from all hydrocarbons, with no differentiation between produced substances, and wells are charged a flat 5% royalty rate until revenues exceed a normalized well cost allowance, which is based on vertical well depth and lateral length. Any changes to the royalty regime in Alberta may have a material effect on the Corporation. See "*Risk Factors*".

In addition to any negotiated royalty amount payable to the freehold mineral owner, producers of oil and natural gas from freehold lands in Alberta are required to pay annual freehold mineral taxes. The freehold mineral tax is a tax levied by the Government of Alberta on the value of oil and natural gas production from non-Crown lands and is derived from the *Freehold Mineral Rights Tax Act* (Alberta). The freehold mineral tax is levied on an annual basis on calendar year production using a tax formula that takes into consideration, among other things, the amount of production, the hours of production, the value of each unit of production, the tax rate and the percentages that the owners hold in the title. The basic formula for the assessment of freehold mineral tax is: revenue less allocable costs equals net revenue divided by wellhead production equals the value based upon unit of production. If payors do not wish to file individual unit values, a default price is supplied by the Crown. On average, the tax levied is 4 percent of revenues reported from fee simple mineral title properties.

In July 2019, the Government of Alberta enacted the *Royalty Guarantee Act* which provides certainty that no major changes will be made to the current oil and gas royalty structure for a period of at least ten years.

Saskatchewan

In Saskatchewan, the Crown owns approximately 80% of the oil and gas rights, with the remainder being freehold lands. For the Crown lands, taxes (the "**Resource Surcharge**") and royalties are applicable to revenue generated by corporations focused on oil and gas operations. Crown royalties payable on the production of crude oil and natural as are paid on a well-by-well basis. Producers of crude oil and natural gas receive royalty invoices from the Government of Saskatchewan on a monthly basis.

In addition to surcharges and taxes, the Crown royalty rate payable in respect of crude oil, depends on a number of variables including, the type and vintage of crude oil, the quantity of crude oil produced in a month, the average wellhead price and certain price adjustment factors determined monthly by the provincial government. This means that producers may pay varying royalties each month, depending on monthly production, governmental price adjustments and the underlying characteristics of the producer's assets. Where production equals the relevant reference well production rate, the minimum Crown royalty rate payable ranges from 5% to 20% and the maximum royalty rate payable ranges from 30% to 45%, depending on the classification of the crude oil, the average wellhead price and subject to applicable deductions. The amount payable as a Crown royalty in respect of production of natural gas and NGLs is determined by a sliding scale based on the monthly provincial average gas price published by the Government of Saskatchewan, the quantity produced in a given month, the type of natural gas, the classification of the natural gas and the finished drilling date of the respective well. Similar to crude oil royalties, the royalties payable on natural gas will range from 5% to 20%, and additional marginal royalty rates may apply between 30% to 45%, where average wellhead prices are above base prices. Again, this means that producers may pay varying royalties each month, depending on pricing factors, governmental adjustments and the underlying characteristics of the producer's assets.

The Government of Saskatchewan currently provides a number of targeted incentive programs. These include both royalty reduction and incentive volume programs, with targeted programs in effect for certain vertical crude oil wells, exploratory gas wells, horizontal crude oil and natural gas wells, enhanced crude oil recovery wells and high water-cut crude oil wells. As of April 1, 2021, on associated gas produced from wells other than gas wells, including natural gas produced from oil wells, the Minister of Energy and Resources implemented a 5-year Associated Gas Royalty Moratorium on the collection of Crown Royalty and Freehold Production Tax. The moratorium is in connection with the Government of Saskatchewan's Growth Plan and is aimed at meeting the Government of Saskatchewan's regulatory obligations to reduce methane-based GHG emissions by 40 to 45% between 2020 and 2025. The Associated Gas Royalty Moratorium is applicable to natural gas produced on or after April 1, 2021 and before April 1, 2026.

The Government of Saskatchewan also 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 and a maximum production tax rate of 0% for freehold production.

Royalty rates for the production of privately-owned crude oil and natural gas are negotiated between the producer and the resource owner. In addition, producers must pay a freehold production tax, determined by first establishing the Crown royalty rate, and then subtracting a calculated production tax factor that depends on the classification of the petroleum substance produced.

Freehold and Other Types of Non-Crown Land Royalties and Taxes

Royalties on production from privately-owned freehold lands are negotiated between the mineral freehold owner and the lessee under a negotiated lease or other contract. Producers and working interest participants may also pay additional royalties to parties other than the freehold mineral owner where such royalties are negotiated through private transactions.

In addition to the royalties payable to the mineral owners (or to other royalty holders if applicable), Freehold Mineral Taxes or production taxes are levied on the production of crude oil and natural gas from freehold lands in each of the Western Canadian provinces where the Crown does not hold the mineral rights. A description of the Freehold Mineral Taxes payable in each of the Western Canadian provinces is included in the above descriptions of the royalty regimes in such provinces.

Where crude oil and natural gas leases fall under the jurisdiction of the IOGC, the IOGC is responsible for issuing crude oil and natural gas agreements between Indigenous groups and producers and collecting and distributing royalty revenues. The exact terms and conditions of each crude oil and natural gas lease dictate the calculation of royalties owed, which may vary depending on the involvement of the specific Indigenous group. Ultimately, the relevant Indigenous group must approve the royalty rate for each lease.

Production and Operation Regulations

The oil and natural gas industry in Canada is highly regulated and subject to significant control by provincial regulators. Regulatory approval is required for, among other things, the drilling of oil and natural gas wells, construction and operation of facilities, the storage, injection and disposal of substances and the abandonment and reclamation of well-sites. In order to conduct oil and gas operations and remain in good standing with the applicable provincial regulator, Lycos must comply with applicable legislation, regulations, orders, directives and other directions (all of which are subject to governmental oversight, review and revision, from time to time). Compliance with such legislation, regulations, orders, directives or other directions can be costly and a breach of the same may result in fines or other sanctions.

Regulatory Authorities and Environmental Regulation

The Canadian oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation, all of which is subject to governmental review and revision from time to time. Such legislation provides for restrictions and prohibitions on the release or emission of various

substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. The regulatory regimes set out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well, facility and pipeline sites. Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in suspension or revocation of necessary licences and authorizations, civil liability and the imposition of material fines and penalties.

In addition to these specific, known requirements, future changes to environmental legislation, including anticipated legislation for air pollution and GHG emissions (typically measured in terms of their global warming potential and expressed in terms of carbon dioxide equivalents ("CO2e"), may impose further requirements on operators and other companies in the oil and natural gas industry. Companies that have hydraulic fracturing operations have additional operational regulatory and reporting requirements.

Federal

Canadian environmental regulation is the responsibility of the federal government and provincial governments. While provincial governments and their delegates are responsible for most environmental regulation, the federal government can regulate environmental matters where they impact matters of federal jurisdiction or when they arise from projects that are subject to federal jurisdiction, such as interprovincial transportation undertakings, including pipelines and railways, and activities carried out on federal lands. Where there is a direct conflict between federal and provincial environmental legislation in relation to the same matter, the federal law prevails, however, such conflicts are uncommon. The federal government has primary jurisdiction over federal works, undertakings and federally regulated industries such as railways, aviation and interprovincial transport. The CERA and the Canadian Environmental Assessment Act, 2012 ("**CEAA**") provide the foundation for the federal government to protect the environment and cooperate with provinces to do the same.

The enactment of the CERA and IAA in 2019, introduced a number of important changes to the regulation of federally regulated major projects and their associated environmental assessments. The CERA separates the CER's administrative and adjudicative functions. A board of directors and a chief executive officer will manage strategic, administrative and policy considerations while adjudicative functions fall to independent commissioners. In its adjudicative role, the CERA tasks the CER with reviewing applications for the development, construction and operation of these projects, culminating in their eventual abandonment.

The IAA relies on a designated project list as a trigger for a federal assessment. Designated projects that may have effects on matters within federal jurisdiction will generally require an impact assessment administered by the IA Agency or, in the case of certain pipelines, a joint review panel comprised of members from the CER and the IAA. The impact assessment requires consideration of the project's potential adverse effects and the overall societal impact that a project may have, both of which may include a consideration of, among other items, environmental, biophysical and socioeconomic factors, climate change and impacts to Indigenous rights. It also requires an expanded public interest assessment, including Indigenous consultation, as applicable. The impact assessment must look at the direct result of the project's construction and operation. Designated projects specific to the petroleum and natural gas industry include pipelines that require more than 75 km of new right of way and pipelines located in national parks, large scale in situ oil sands projects not regulated by provincial GHG emissions caps and certain refining, processing and storage facilities.

The federal government has stated that an objective of the legislative changes was to improve decision certainty and turnaround times. Once a review or assessment is commenced under either the CERA or IAA, there are limits on the amount of time the relevant regulatory authority will have to issue its report and recommendation. Designated projects will go through a planning phase to determine the scope of the impact assessment, which the federal government has stated should provide more certainty as to the length of the full review process. On October 13, 2023, the SCC concluded that the "designated projects" component was partially unconstitutional due to its encroachment of provincial jurisdiction beyond federal

authority. An interim guidance was enacted following the SCC Ruling. In June 2024, the federal government enacted amendments to the IAA through the Budget Implementation Act, 2024, No. 1 (the “Amended IAA"). The Amended IAA largely preserved the assessment framework of the pre-amendment IAA but replaced the assessment of designated projects from a broader consideration of potential adverse effects and societal impacts to a narrowed assessment of adverse effects, defined as non-negligible adverse changes, within the federal jurisdiction. In deciding whether an impact assessment is required, the Amended IAA added whether a means other than an impact assessment exists that would permit a jurisdiction to address the federal effects as another factor for the IA Agency’s consideration. Additionally, the final project approval decision is subject to a heighted test and must consider whether the effects are likely to be, to some extent, significant. The full implications of the amendments are yet to be interpreted in practice though the Amended IAA has not fully addressed criticism from project proponents that the applicability, timelines and decision-making powers under the Amended IAA remain uncertain and unpredictable.

On July 1, 2023, the CFS Regulations came into force. The objective of the clean fuel standard is to achieve 30 million tonnes of annual reductions in GHG emissions by 2030. The CFS Regulations requires liquid fossil fuel primary suppliers (i.e. producers and importers) to reduce the carbon intensity ("CI") of the liquid fossil fuels they produce in, and import into, Canada. The CFS Regulations has also established a credit market, whereby the annual CI reduction requirement can be met via three main categories of credit-creating actions: (i) actions that reduce the CI of the fossil fuel throughout its lifecycle; (ii) supplying low-carbon fuels; and (iii) specified end-use fuel switching in transportation. The Federal Government prescribes the Output-based Pricing System (the "OBPS") under the Greenhouse Gas Pollution Pricing Act (the "GGPPA"). the GGPPA and OBPS act as backstop legislation for taxing carbon emissions in provinces that have not yet implemented their own carbon tax legislation that meets Federal equivalency requirements. Effective January 1, 2025, the minimum price permissible under the GGPPA rose to $95/tonne of CO2e.

On December 7, 2023, the federal government published the Regulatory Framework for an Oil and Gas Sector Greenhouse Gas Emissions Cap ("GHG Cap"), setting forth key elements of the GHG Cap including: (i) a decline of emissions to meet net-zero by 2050; (ii) creating the legal upper bound on emissions (being the maximum emissions the whole sector may be allowed to emit per year) in a manner responsive to technically achievable emissions reductions and the global demand for oil and gas; (iii) minimal administrative burden; and (iv) ongoing monitoring and regular review of the standards.

On November 9, 2024, the Proposed Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations ("Proposed GHC Cap Regulation") was subsequently released by the federal government. The Proposed GHC Cap Regulation establishes registration and reporting requirements and a cap-and-trade system that apply to any oil and gas operators carrying out industrial activities including crude oil production, oil sands extraction and upgrading, natural gas extraction and LNG production. All operators captured by the Proposed GHC Cap Regulations would be required to register under the regulations by January 1, 2026. In addition to initial registration, operators are required to submit a production report describing cumulative production of all of the operator's facilities, as well as an annual report that sets out the quantity of production and GHGs attributed to each facility calculated in accordance with prescribed quantification methods described in the regulations. In addition to reporting requirements, operators with production greater than 365,000 boe per year must remit one compliance unit for each tonne of carbon dioxide equivalent tonne of their emissions. There are three categories of compliance units eligible to satisfy the operator's remittance obligations, consisting of: (i) at least 80% of the compliance units must be emission allowances prescribed by the minister, (ii) up to a maximum of 20% of compliance units may be satisfied by way of eligible Canadian offset credits, (iii) up to a maximum 10% of compliance units may be offset by the decarbonization units obtained from making contributions to a decarbonization program per carbon dioxide equivalent tonne.

The Proposed GHC Cap Regulations was open for a 60-day public comment period from November 2024 to January 2025 and are expected to come into force upon registration of the final regulations in 2025. Facilities would be required to register under the Proposed GHC Cap Regulations by January 1, 2026. Operators with cumulative monthly production of more than 30,000 boe/d during any month between January 1, 2024 and July 1, 2025 would be required to submit their first reports by June 1, 2027 for the

2026 calendar year. Operators with monthly production of less than 30,000 boe/d would be required to submit their first reports by June 1, 2029 for the 2028 calendar year. The first remittance compliance period is set to begin on January 1, 2023 after the Proposed GHC Cap Regulations comes into force. The Government of Alberta has issued a publication in January 2025 announcing that it intends to challenge the constitutionality of the Proposed GHC Cap Regulations after its enactment.

In June 2023, the International Sustainability Standards Board ("ISSB") issued two international environmental reporting standards: IFRS S1, which addresses sustainability-related disclosure, and IFRS S2, which addresses climate-related disclosure. The Canadian Sustainability Standards Board ("CSSB") subsequently released for public comment substantially similar proposed Canadian versions of the international standards ("CSDS 1" and "CSDS 2"), which were finalized in December 2024 (collectively, the "Canadian Standards"). The Canadian Standards require issuers, among other things, to include quantitative data regarding their environmental considerations, to use scenario analysis in developing their disclosure, and to disclose Scope 3 emissions (i.e. indirect emissions from an organization's operations). The finalized Canadian Standards are substantially similar to IFRS S1 and S2 (and earlier drafts of CSDS 1 and CSDS 2), however they have extended implementation timelines for select criteria. Canadian companies are not required to follow the Canadian Standards at this time, however the Canadian Securities Administrators are considering amending Canadian reporting requirements to include certain aspects of these new Canadian Standards; to what extent they will be adopted remains unclear.

In June 2024, the federal Competition Act was amended to enact new deceptive marketing provisions targeting "greenwashing". The new provisions introduced unclear substantiation requirements for companies making environmental claims and significant fines for failing to meet the new requirements. As a result of the uncertainty with respect to the applicability of the new rules, some companies removed their environmental and sustainability-related disclosure from the public domain. In December 2024, the constitutionality of the new deceptive marketing provisions was challenged in the Alberta Court of King's Bench and the lawsuit remains ongoing.

Alberta

The discharge of crude oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Lycos to incur costs to remedy such discharge in the event that they are not covered by the Corporation's insurance. Although the Corporation maintains insurance to industry standards, which in part covers liabilities associated with discharges, it is not certain that such insurance will cover all possible environmental events, foreseeable or otherwise, or whether changing regulatory requirements or emerging jurisprudence may render such insurance of little benefit. In addition to these specific, known requirements, future changes to environmental legislation, including anticipated legislation for air pollution and GHG emissions, may impose further requirements on operators and other companies in the oil and natural gas industry.

The Alberta Energy Regulator ("**AER**") is the principal regulator responsible for all energy development in Alberta. It derives its authority from the *Responsible Energy Development Act* and a number of related statutes including the *Oil Sands Conservation Act*, the *Pipeline Act* ("**OGCA**"), and the *Environmental Protection and Enhancement Act*. The AER ensures the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources including allocating and conserving water resources, managing public lands, and protecting the environment. The AER's responsibilities exclude the functions of the Alberta Utilities Commission and the Surface Rights Board, as well as Alberta Energy's responsibility for mineral tenure.

The Government of Alberta relies on regional planning to accomplish its resource development goals. Its approach to natural resource management provides for engagement and consultation with stakeholders and the public and examines the cumulative impacts of development on the environment and communities. While the AER is the primary regulator for energy development, several other governmental departments and agencies may be involved in land use issues, including Alberta Environment and Protected Areas

(previously known as the Ministry of Environment and Parks), the Alberta Ministry of Energy, the Policy Management Office, the Aboriginal Consultation Office and the Land Use Secretariat.

The Government of Alberta's land-use policy sets out an approach to manage public and private land use and natural resource development in a manner that is consistent with the long-term economic, environmental, and social goals of the province. It calls for the development of region-specific land use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans.

The AER monitors seismic activity across Alberta to assess the risks associated with, and instances of, increased seismicity induced by hydraulic fracturing. Hydraulic fracturing involves the injection of water, sand or other proppants and additives under pressure into targeted subsurface formations to fracture the surrounding rock and stimulate crude oil and natural gas production. In recent years, hydraulic fracturing has been linked to increased seismicity in the areas in which hydraulic fracturing takes place, prompting regulatory authorities to investigate the practice further.

The AER has developed monitoring and reporting requirements that apply to all crude oil and natural gas producers working in certain areas where the likelihood of increased seismic activity is higher, and implemented the requirements in Subsurface Order Nos. 2, 6 and 7. The regions with seismic protocols in place are Fox Creek, Red Deer and Brazeau (the "**Seismic Protocol Regions**"). Crude oil and natural gas producers in each of the Seismic Protocol Regions are subject to a "traffic light" reporting system that sets thresholds on the Richter scale of earthquake magnitude. The thresholds vary among the Seismic Protocol Regions and trigger a sliding scale of obligations from the crude oil or natural gas producers operating there. Such obligations range from no action required, to informing the AER and invoking an approved response plan, to ceasing operations and informing the AER. The AER has the discretion to suspend operations while it investigates following a seismic event until it has assessed the ongoing risk in a specific area and/or may require the operator to update its response plan. The AER may extend these requirements to other areas of Alberta if necessary, subject to the results of its ongoing province-wide monitoring.

Saskatchewan

The Saskatchewan Ministry of Energy and Resources is the primary regulator of crude oil and natural gas activities in the province. The Oil and Gas Conservation Act ("**SKOGCA**") is the act governing the regulation of resource development operations in the province, along with The Oil and Gas Conservation Regulations, 2012 and The Petroleum Registry and Electronic Documents Regulations. The Government of Saskatchewan has implemented a number of operational requirements, including the increased demand for record-keeping, increased testing requirements for injection wells and increased investigation and enforcement powers, and procedural requirements including those related to Saskatchewan's participation as partner in the Petrinex Database.

The environmental scheme in Saskatchewan is governed by *The Environmental Management and Protection Act, 2010* and *The Forest Resources Management Act.* In Saskatchewan, the ministry has adopted a results-based regulatory model which largely leaves the determination of how environmental protection is to be achieved with the respective proponent.

Saskatchewan launched the Inactive Liability Reduction Program (the "**ILRP**") in January of 2023. The ILRP aims to reduce the total number of inactive liabilities for oil and gas companies. The program currently requires oil and gas companies to retire 5% of their inactive liabilities such as inactive wells, and facilities in Saskatchewan. It is anticipated that this percentage will gradually increase overtime, with the 2024 estimate being 6%.

Liability Management Rating Programs

Alberta

The AER administers the Alberta Liability Management Framework (the "**AB LMF**") and the Liability Management Framework to manage liability for most conventional upstream oil and natural gas wells, facilities and pipelines in Alberta. The AB LMF includes the Alberta Licensee Capability Assessment System (the "**AB LCA**"), the Alberta Inventory Reduction Program and the Alberta Licensee Management Program ("**AB LM Program**").

Complementing the AB LMF, Alberta's Oil and Gas Conservation Act establishes an orphan fund (the "**Orphan Fund**") to help pay the costs to suspend, abandon, remediate and reclaim a well, facility or pipeline if a licensee or working interest participant becomes insolvent or is unable to meet its obligations. The Orphan Fund is industry-funded through a levy administered by the AER. This program is designed to minimize the risk to the Orphan Fund posed by the unfunded liabilities of licensees and to prevent the taxpayers of Alberta from incurring costs to suspend, abandon, remediate and reclaim wells, facilities or pipelines.

The SCC's decision in Orphan Well Association v Grant Thornton (also known as the "**Redwater**" decision) provides the backdrop for Alberta's approach to liability management. As a result of the Redwater decision, receivers and trustees can no longer avoid the AER's legislated authority to impose abandonment orders against licensees or to require a licensee to pay a security deposit before approving a transfer when such a licensee is subject to formal insolvency proceedings. This means that insolvent estates can no longer disclaim assets that have reached the end of their productive lives (and therefore represent a net liability) in order to deal primarily with the remaining productive and valuable assets without first satisfying any abandonment and reclamation obligations associated with the insolvent estate's assets. In April 2020, the Government of Alberta passed Bill 12: The Liabilities Management Statutes Amendment Act, which came into force on proclamation. The Liabilities Management Statutes Amendment Act places the burden of a defunct licensees' abandonment and reclamation obligations first on the defunct licensee's working interest partners, and second, the AER may order the Orphan Fund to assume care and custody and accelerate the clean-up of wells or sites which do not have a responsible owner.

One important step in the shift to the AB has been amendments to Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals ("**Directive 067**"), which deals with licensee eligibility to operate wells and facilities. All licence transfers and granting of new well, facility and pipeline licences in Alberta are subject to AER approval. Directive 067 sets out requirements for applying for, maintaining and amending license eligibility, and identifies the circumstances in which the AER may revoke or restrict license eligibility. It also details requirements for when a licensee poses an "unreasonable risk" of orphaning assets, and adds additional general requirements for maintaining eligibility.

Alongside changes to Directive 067, the AER also introduced Directive 088: Licensee Life-Cycle Management ("**Directive 088**") in December 2021 under the AB LMF. A new version of Directive 088 was released on February 7, 2025. The AB LCA considers a wide variety of factors to assess a licensee's liability rating, including but not limited to: (i) a licensee's financial health; (ii) its established total magnitude of liabilities; (iii) the remaining lifespan of its mineral resources; (iv) the management of its operations; (v) the rate of closure activities for its liabilities; and (vi) and its compliance with administrative and regulatory requirements. These various factors then feed into a broader holistic assessment of a licensee under the AB LMF. In turn, that holistic assessment provides the basis for assessing risk posed by licence transfers, as well as any security deposit that the AER may require from a licensee in the event that the regulator deems a licensee at risk of not being able to meet its liability obligations.

In addition to the AB LCA, Directive 088 also implemented other new liability management programs under the AB LMF. These include the AB LM Program and the Alberta Inventory Reduction Program. Under the AB LM Program the AER continuously monitors licensees over the life-cycle of a project. If, under the AB LM Program, the AER identifies a licensee as high risk, the regulator may employ various tools to ensure

that a licensee meets its regulatory and liability obligations. In addition, under the Alberta Inventory Reduction Program the AER sets industry wide spending targets for abandonment and reclamation activities. Licensees are then assigned a mandatory licensee specific target based on the licensee's proportion of provincial inactive liabilities and the licensee's level of financial distress. Certain licensees may also elect to provide the AER with a security deposit in place of their closure spend target. The industry-wide closure spend requirement was introduced in 2022 and set at $422 million. In 2023, the requirement increased to $700 million. The 2024 requirement was maintained at $700 million. For 2025, the requirement will be $750 million.

The Government of Alberta followed the announcement of the AB LMF with amendments to the Oil and Gas Conservation Rules and the Pipeline Rules in late 2020. The changes to these rules fall into three principal categories: (i) they introduce "closure" as a defined term, which captures both abandonment and reclamation; (ii) they expand the AER's authority to initiate and supervise closure; and (iii) they permit qualifying third parties on whose property wells or facilities are located to request that licensees prepare a closure plan.

On February 7, 2025, the AER released Bullet 2025-04, providing for new editions of four directives: Directive 001: Requirements for Site-Specific Liability Assessment; Directive 011: Estimated Liability; Directive 068: Security Deposits and Directive 088: Licensee Life-Cycle Management.

Saskatchewan

In Saskatchewan, the Ministry of Economy implements the Saskatchewan Licensee Liability Rating Program (the "**SK LLR Program**"). The SK LLR Program is designed to assess and manage the financial risk that a licensee's well and facility abandonment and reclamation liabilities pose to an orphan fund (the "**Oil and Gas Orphan Fund**") established under the SKOGCA. The Oil and Gas Orphan Fund takes on the obligation of carrying out the abandonment and reclamation of wells and facilities contained within the SK LLR Program when a licensee or WIP is defunct or missing. The SK LLR Program requires all new licensees to submit a $10,000 non-refundable Orphan Fund fee in order to be deemed eligible to transfer licences, and all licensees whose deemed liabilities exceed their deemed assets (i.e., an LLR of below 1.0) are required to post a security deposit. The ratio of deemed liabilities to deemed assets is assessed once each month for all licensees of oil, gas and service wells and upstream oil and gas facilities and this data is publicly available. On August 19, 2016, the Ministry of the Economy released a notice to all operators introducing interim measures in response to Redwater. Among other things, the Ministry announced that it considers all licence transfer applications non-routine as the Ministry does not strictly rely on the standard LMR calculation in evaluating deposit requirements, and that further changes may be forthcoming.

Saskatchewan's Financial Security and Site Closure Regulations (the "**Closure Regulations**") came into force on January 1, 2023. The Closure Regulations (i) provide certainty in terms of when a security deposit is required and what use may be made of the security deposit and (ii) set out revised formulas for calculating the liability management rating as well as a formula which will be utilized to determine whether a proposed transfer creates a risk.

Climate Change Regulation

Climate change regulation at each of the international, federal and provincial levels has the potential to significantly affect the regulation of the oil and natural gas industry in Canada. These impacts are uncertain and it is not possible to predict the extent of future requirements. Any new laws and regulations (or additional requirements to existing laws and regulations) could have a material impact on the Corporation's operations and cash flow. An example of a change in policy that may impact the petroleum and natural gas industry is the International Maritime Organization's implementation of regulations that limit the sulphur content of marine fuel oil, reducing the permissible amount of sulphur from 3.5% to 0.5%, effective January 1, 2020.

Federal

Canada has been a signatory to the United Nations Framework Convention on Climate Change (the "**UNFCCC**") since 1992. Since its inception, the UNFCCC has instigated numerous policy changes with respect to climate governance. On April 22, 2016, 197 countries signed the Paris Agreement, committing to prevent global temperatures from rising more than 2° Celsius above pre-industrial levels and to pursue efforts to limit this rise to no more than 1.5° Celsius. To date, 195 of the 198 parties to the UNFCCC are parties to the Paris Agreement, including Canada. The Glasgow Climate Pact reaffirms the long-term global goals (including those in the Paris Agreement) to hold the increase in the global average temperature to below 2.0° Celsius above pre-industrial levels and to pursue efforts to limited the temperature increase to 1.5° Celsius above pre-industrial levels.

The Government of Canada has pledged to cut its emissions by 30% from 2005 levels by 2030; however, they have also indicated that they expect to implement policies to exceed this target. In connection with this target, the Government of Canada released the Pan-Canadian Framework on Clean Growth and Climate Change in 2016, setting out a plan to meet the federal government's 2030 emissions reduction targets. In March 2022, the Government of Canada also introduced Canada's 2030 Emissions Reduction Plan (the 2030 Reduction Plan), which provides the building blocks for the Canadian economy to achieve 40% to 45% emissions reductions below 2005 levels by 2030. The 2030 Reduction Plan includes $9.1 billion in new investments as well as carbon pricing and clean fuels measures to assist in growing economic opportunities for a clean future. Progress of the 2030 Reduction Plan will be reviewed and produced in reports in 2023, 2025 and 2027, with additional targets to be developed for 2035 and 2050.

On December 11, 2020, the Government of Canada released its Healthy Environment and a Healthy Economy Plan (the **"HEHE Plan**") which builds on the Pan-Canadian Framework and provides a road map forward to meet Canada's 2030 emissions reduction target. The HEHE Plan includes a $3-billion investment over five years to a Net-Zero Accelerator Fund to invest in projects to decarbonize large emitters, scale-up clean technology and otherwise accelerate industry transformation across all sectors. In addition, the HEHE Plan proposes to invest an additional $964 million over four years towards renewable energy and grid modernization projects and $300 million over five years to advance the use of clean and reliable energy in rural, remote and Indigenous communities. The third component of the HEHE Plan pertains to zero emission vehicles. This includes investing an additional $287 million to continue the federal government's Incentives for Zero-Emission Vehicles program until March 2022, $150 million over three years towards charging and refueling stations across Canada, and $1.5 billion towards a Low-Carbon and Zero-Emissions Fuels Fund to increase the production of low-carbon fuels. In accordance with the HEHE Plan, the price on carbon is set to increase annually at a rate of $15/tonne of CO_2e per year commencing in 2023 through to 2030. In August 2021, the federal government established strengthened minimum national standards for 2023 to 2030, which includes the requirement that all jurisdictions establish systems that align with the federal carbon trajectory and benchmark requirements to 2030. Once in place, the systems will remain until 2027. Also of relevance to the oil and gas industry, in June 2022, the federal government introduced the Single-use Plastics Prohibitions Regulations. The regulations prohibit, subject to certain exemptions, the manufacture, import and sale of single-use plastic checkout bags, cutlery, foodservice ware made from or containing problematic plastics, ring carriers, stir sticks and straws. The prohibitions on manufacture and import for sale in Canada and sale and manufacture, import and sale for export come into force on a rolling basis between December 2022 and December 2025.

On June 29, 2021, the federal government announced Bill C-12, an Act respecting transparency and accountability in Canada's efforts to achieve net-zero greenhouse gas emissions by the year 2050, received royal assent. Canada joined over 120 countries in committing to net-zero emissions by 2050, including the UK, Germany, France and Japan. Bill C-12 legally binds the federal government to a process to achieve net-zero emissions by 2050. The legislation also sets rolling five-year emissions-reduction targets (starting in 2030) and requires emissions reduction plans to reach each target on a reporting basis and enshrine greater accountability and public transparency into Canada's plan for meeting net-zero emissions by 2050 by providing for independent third-party review by the Commissioner of the Environment and Sustainable Development.

On June 21, 2018, the federal government enacted the *Greenhouse Gas Pollution Pricing Act* (Canada), S.C. 2018, c. 12, s. 186 ("**GGPPA**"), which came into force on January 1, 2019. This regime has two parts: the OBPS and a regulatory fuel charge imposing an initial price of $20/tonne of CO2e. This system applies in provinces and territories that request it and in those that do not have their own emissions pricing systems in place that meet the federal standards. The effect of the GGPPA is that, regardless of whether a particular province has enacted legislation of its own, there is a uniform price on emissions across the country. The price is set to increase to $95/tonne of CO2e on April 1, 2025. In addition, the *Greenhouse Gas Offset Credit System Regulations* (Canada) (the "**Federal Offset Credit Regulations**"), published on June 8, 2022, apply across Canada to proponents of projects located in Canada that reduce GHG emissions or increase GHG removals from the atmosphere, that generate real, additional, quantifiable, verifiable, unique and permanent reductions, and that are implemented using a federal offset protocol. Alberta, Saskatchewan, Ontario and Manitoba each challenged the constitutionality of the GGPPA. In both the Saskatchewan and Ontario references, the appellate Courts ruled in favour of the constitutionality of the GGPPA; the Alberta Court of Appeal determined that the GGPPA is unconstitutional. All three judgments were appealed to the SCC and the hearing took place in September 2020. On March 25, 2021, the SCC released its decision in Reference re Greenhouse Gas Pollution Pricing Act, upholding the constitutionality of a federal law establishing minimum national standards for carbon pricing in Canada.

Manitoba also made an appeal to the Federal Court stating that the federal government did not act properly in imposing a minimum price on carbon because Manitoba was planning to use its own lower price. In October of 2021, the Federal Court rejected Manitoba's argument, stating that the federal government's actions were consistent with the purpose of the GGPPA as was upheld by the SCC.

Following the SCC's decision upholding the constitutionality of the GGPPA, any province or territory has the flexibility to design their own pricing system, so long as it meets the minimum national stringency standards or federal benchmarks. Currently, the provincial systems, together with the federal fuel charge, apply in each of Alberta, Saskatchewan, Ontario, New Brunswick, Nova Scotia and Newfoundland and Labrador. The provincial plans in each of British Columbia, Quebec and the Northwest Territories apply in full in those jurisdictions while the OBPS and federal fuel charge apply in each of Yukon, Nunavut, Manitoba and Prince Edward Island. For so long as the provincial systems in Alberta (under the *Technology Innovation and Emissions Reduction (TIER)* regulation) British Columbia and Saskatchewan meet the federal stringency standards for the emissions they cover, these systems will continue to apply, with the backstop covering those emissions not covered by the provincial systems, as applicable.

On October 29, 2020, the federal government launched the $750 million Emission Reduction Fund to reduce methane and GHG emissions. The fund will provide repayable funding to eligible onshore and offshore crude oil and natural gas companies to support investments to reduce GHG emissions by adopting greener technologies. Part of this fund is directed towards methane reduction.

The *Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector)* (the "**Federal Methane Regulations**"), which seek to reduce emissions of methane from the petroleum and natural gas industry, and came into force on January 1, 2020. By introducing a number of new control measures, the Federal Methane Regulations aim to reduce unintentional leaks and the intentional venting of methane, as well as ensuring that crude oil and natural gas operations use low-emission equipment and processes. Among other things, the Federal Methane Regulations limit how much methane upstream oil and natural gas facilities are permitted to vent. The federal government anticipates that these actions will reduce annual GHG emissions by about 20 megatonnes by 2030.

On December 4, 2023, the Minister of Environment and Climate Change announced amendments to the Federal Methane Regulations that seek to further cut emissions, which would come into force on January 1, 2027. These amendments closely mirror those in the United States and echo the International Energy Agency's call to curtail methane emissions from the oil and gas sector by 75% by 2030. These amendments signify a significant reinforcement to Canada's methane strategy. The draft amendments have undergone consultation in 2024. The Government of Alberta has opposed the amendments, stating it will take

measures to ensure the amended regulations are not implemented in Alberta. It is unknown at this time what the potential effects of the amended Federal Methane Regulations may be.

On December 18, 2020, the federal government published proposed Clean Fuel Regulation ("**CFS**") regulations, with the Clean Fuel Regulations (CFS Regulations) which came into force on June 21, 2022. The CFS Regulations take a performance-based approach to reducing greenhouse gas emissions. The CFS Regulations require suppliers of liquid fuels, such as gasoline, diesel and kerosene to gradually reduce the amount of carbon in their product. Beginning in 2023, the carbon intensity reduction requirement started at 3.5gCO2e/MJ, increasing by 1.5 gCO2e/MJ each year and reaching 14 gCO2e/MJ in 2030. The standard applies to any company that domestically produces or imports at least 400 cubic metres of liquid fossil fuels for use in Canada. It is the goal of the program to incentivize innovation and adoption of clean technologies while giving fuel suppliers the ability to meet requirements in a cost-effective way that works for their business. The proposed regulations offer compliance credits, tracked via the Credit and Tracking System, and created a market to incentivize industries to innovate and adopt cleaner technologies to lower their compliance costs.

On December 17, 2024, the federal government finalized the Clean Electricity Regulations, aimed at driving progress towards a net-zero electricity grid by 2050. The Clean Electricity Regulations are part of a suite of measures by the Government of Canada from the 2030 Emissions Reduction Plan to transition to clean energy. Developed under CERA, these regulations establish stringent pollution emission standards without prescribing specific technologies. This technology-neutral stance aims to grant flexibility to provincial, territorial, and municipal authorities as they transition to clean energy.

The Alberta Government previously contested the constitutionality of the draft Clean Electricity Regulations and urged the federal government to support Alberta's plan for achieving carbon neutrality by 2050, rather than the initial 2035 timeline. On November 27, 2023, the Government of Alberta issued notice of its intention to invoke a resolution under the Alberta Sovereignty within a United Canada Act (the "**Sovereignty Act**") in response to the draft Clean Electricity Regulations. This resolution directs specific provincial entities from enforcing or complying with the Clean Electricity Regulations "to the extent legally permissible." Similarly, the Government of Saskatchewan plans to utilize The Saskatchewan First Act to establish a tribunal to assess the economic impacts of the Clean Electricity Regulations. Following the release of the final draft of the Clean Electricity Regulations, in December 2024, the Government of Alberta issued a statement welcoming the extended time frame but continued to assert that the regulations strayed into provincial jurisdictions. Similarly, the Government of Saskatchewan plans to utilize the Saskatchewan First Act to establish a tribunal to assess the economic impacts of the Clean Electricity Regulations and issued a statement in December 2024 categorically rejecting the Clean Electricity Regulations. Consequently, there is a strong possibility that once implemented, the Clean Electricity Regulations will face constitutional challenges.

In October 2018, the federal government announced a pricing scheme as an alternative for large electricity generators to incentivize a reduction in emissions intensity, rather than encouraging a reduction in generation capacity.

The federal government has enacted the Multi-Sector Air Pollutants Regulation under the authority of CERA, which seeks to regulate certain industrial facilities and equipment types, including boilers and heaters used in the upstream petroleum and natural gas industry, to limit the emission of air pollutants such as nitrogen oxides and sulphur dioxide.

On July 24, 2023, the Minister of Environment and Climate change released the Inefficient Fossil Fuel Subsidies Government of Canada Self-Review Assessment Framework and the Inefficient Fossil Fuel Subsidies Government of Canada Guidelines. The documents will support the federal government's focus on clean energy and net-zero initiatives and the de-carbonization of Canada's oil and gas sector. Pursuant to the Framework, subsidies are deemed "inefficient" unless they satisfy certain criteria, which include, but are not limited to: supporting clean energy, clean technology, or renewable energy; providing essential energy service to a remote community; providing short term support for emergency response; supporting

Indigenous economic participation in fossil fuel activities; or supporting abated production processes, such as carbon capture, utilization, and storage, or projects that have a credible plan to achieve net-zero emissions by 2030.

On June 13, 2023, Bill S-5 Strengthening Environmental Protection for a Healthier Canada Act to amend CERA, received royal assent. The amendments include changes to the preamble of CEPA, which now recognizes that every individual in Canada has a right to a healthy environment. Section 2 of CEPA now requires that the federal government protect this right, and that an implementation framework be developed to consider how this right will be administered under CEPA, which is anticipated to be published by 2025. Further amendments include creating a risk assessment Plan of Chemical Management Priorities, setting out a multi-year assessment of substances and activities, and a commitment to consider the cumulative effects of these assessments on vulnerable populations.

Alberta

On December 14, 2016, the *Oil Sands Emissions Limit Act* came into force, establishing an annual 100 megatonne limit for GHG emissions from all oil sands sites, but the regulations necessary to enforce the limit have not yet been developed. The delay in drafting these regulations has been inconsequential thus far, as Alberta's oil sands emitted roughly 82 megatonnes of GHG emissions in 2023, well below the 100 megatonne limit.

In December 2019, the federal government approved Alberta's TIER regulation which applies to large emitters and those who have opted-in. The TIER regulation came into effect on January 1, 2020 and replaced the previous Carbon Competitiveness Incentives Regulations. The TIER regulation meets the federal benchmark stringency requirements for emissions sources covered in the regulation, and the federal backstop continues to apply to emissions sources not covered by the regulation.

The Government of Alberta committed to lowering annual methane emissions from 2014 levels by 45% by 2025 and reached this target 3 years early. The Government of Alberta enacted the Methane Emission Reduction Regulation on January 1, 2020, and in November 2020, the Government of Canada and the Government of Alberta announced an equivalency agreement regarding the reduction of methane emissions such that the Federal Methane Regulations will not apply in Alberta.

Saskatchewan

The Management and Reduction of Greenhouse Gases Act (the "**MRGGA**") regulate GHG emissions in the province. On October 18, 2016, the Government of Saskatchewan released a White Paper on Climate Change, resisting a carbon tax and committing to an approach that focuses on technological innovation and adaptation. Subsequently, the government subsequently released Prairie Resilience: A Made-in-Saskatchewan Climate Change Strategy outlining its strategy to reduce GHG emissions by 12 million tonnes by 2030. The MRGGA, which is partially compliant with the federal emissions trading system, was partially proclaimed into force on January 1, 2018, and an amended version was proclaimed in full on December 18, 2018, establishing the framework of an output-based emissions management framework. In November 2022, the province of Saskatchewan received confirmation that a provincial plan has been approved to replace the federally imposed carbon tax on industrial emitters effective as of January 1, 2023. The Saskatchewan OBPS meets the federal stringency requirements and regulated emitters will receive credit for every tonne of CO2e under their permitted amount. The OBPS program in Saskatchewan includes credits for emitters utilizing CCUS technologies at their facilities.

Under the MRGGA, facilities that have annual GHG emissions in excess of 50,000 tonnes are regulated to meet the province's reduction targets. On January 1, 2019, The Oil and Gas Emissions Management Regulations (the Saskatchewan regulations), (the "**Saskatchewan O&G Emissions Regulations**") came into effect. The Saskatchewan O&G Emissions Regulations apply to licensees of oil facilities that may generate more than 50,000 tonnes of CO2e per year, obliging each licensee to propose an emissions

reduction plan in accordance with an annual emissions limit with the goal of achieving annual emissions reductions targets.

On April 10, 2019, Saskatchewan produced the first annual report on climate resilience. The report measures the province's progress on goals set out under Prairie Resilience: A Made-in-Saskatchewan Climate Change Strategy. Among these goals is the aim of increasing the role of renewable energy in the provincial energy mix to 50% by 2030.

In October 2019, *The Oil and Gas Conservation Amendment Act* was proclaimed into force. This Act, in part, amends the SKOGCA to the extent necessary to bring it into alignment with the Saskatchewan O&G Emissions Regulations discussed above.

To facilitate its emissions reduction efforts, the Government of Saskatchewan has implemented *Directive PNG017: Measurement Requirements for Oil and Gas Operations*, which came into force in December 2019 and was amended in April 2020, and *Directive PNG036: Venting and Flaring Requirements*, which came into force in April 2020. Together with the Saskatchewan O&G Emissions Regulations, these directives enable the Government of Saskatchewan to regulate emissions reductions within the province. In July of 2024, the Government of Saskatchewan and the federal government entered into an equivalency agreement regarding the reduction of methane emissions such that the Federal Methane Regulations will not apply. The equivalency agreement terminates on December 31, 2029.

In January 2021, the Government of Saskatchewan announced support for three projects expected to reduce methane emissions, including a new flare-gas-to-power project, an expansion of gas processing facilities and a new gas fractionation plant. The Saskatchewan Petroleum Innovation Incentive and Oil and Gas Processing Investment Incentive give this support. These incentives provide a percentage of transferable royalty credits after private funding has been obtained and the facilities have been built.

In September 2021, Saskatchewan's Energy and Resource Minister announced that one of the government's key priorities would be increasing investment in CCUS through enhanced oil recovery CCUS projects.

Indigenous Rights

Constitutionally mandated government-led consultation with and, if applicable, accommodation of, Indigenous groups impacted by regulated industrial activity, as well as proponent-led consultation and accommodation or benefit sharing initiatives, play an increasingly important role in the Western Canadian oil and gas industry. In addition, Canada is a signatory to the United Nations Declaration of the Rights of Indigenous Peoples ("**UNDRIP**") and the principles set forth therein may continue to influence the role of Indigenous engagement in the development of the oil and gas industry in Western Canada. In November 2019, the Declaration on the Rights of Indigenous Peoples Act ("**DRIPA**") became law in British Columbia. The DRIPA aims to align British Columbia's laws with UNDRIP. On June 21, 2021, Bill C-15 received royal assent implementing the UNDRIP in Canada. Similar to British Columbia's DRIPA, the intention of Bill C-15 is to establish a process whereby the Government of Canada will take all measures necessary to ensure the laws of Canada are consistent with the principles of UNDRIP and to implement an action plan to address UNDRIP's objectives.

Canada's 2023-2028 Action Plan was released in June 2023 and included 131 measures intended to provide a roadmap of actions Canada needs to take in partnership with Indigenous peoples to implement the principles and rights set out in the UNDRIP and to further advance reconciliation in a tangible way. The practical consequences of this Action Plan remain unclear. Continued development of common law precedent regarding existing laws relating to Indigenous consultation and accommodation as well as the adoption of new laws such as DRIPA and Bill C-15 are expected to continue to add uncertainty to the ability of entities operating in the Canadian oil and gas industry to execute on major resource development and infrastructure projects, including, among other projects, pipelines.

Accountability and Transparency

In 2015, the federal government's *Extractive Sector Transparency Measures Act* ("**ESTMA**") came into effect, which imposed mandatory reporting requirements on certain entities engaged in the "commercial development of oil, gas or minerals", including exploration, extraction and holding permits. All companies subject to ESTMA must report payments over CAD$100,000 made to any level of a Canadian or foreign government (including Indigenous groups), including royalty payments, taxes (other than consumption taxes and personal taxes), fees, production entitlements, bonuses, dividends (other than ordinary dividends paid to shareholders), infrastructure improvement payments and other prescribed categories of payments.

Bill S-211, An Act to enact the Fighting Against Forced Child Labour in Supply Chains Act and to amend the Customs Tariff (the "**Modern Slavery Act**") received royal assent on May 11, 2023 and came into force on January 1, 2024. Pursuant to the Modern Slavery Act, entities that meet certain criteria are required to file public reports annually on the steps they have taken prevent and reduce the use of forced labour and child labour in their supply chains. The Corporation will be required to comply with the reporting obligations under the Modern Slavery Act and is preparing its first report. See "*Risk Factors – Evolving Corporate Governance, Sustainability and Reporting Framework*".

RISK FACTORS

There are a number of inherent risks associated with the exploration and production of oil and gas reserves. Many of these risks are beyond the control of the Corporation. Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings available under the Corporation's SEDAR+ profile at www.sedarplus.ca before making an investment decision.

The risks described below are not the only risks facing the Corporation. Additional risks not presently known to Lycos or that Lycos currently deems immaterial may also impair Lycos's business operations. If any of the following risks actually occur, Lycos's business, financial condition and financial performance could be materially and adversely affected.

Nature of the Business

An investment in Lycos should be considered highly speculative due to the nature of Lycos's involvement in the exploration for, and the acquisition, production and marketing of, oil and natural gas reserves and its current stage of development. Oil and gas operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by Lycos.

Commodity Price Volatility

Lycos's financial performance and financial condition are dependent on the prevailing prices of Crude Oil and natural gas. Crude Oil and natural gas prices have fluctuated widely in the recent past and are subject to fluctuations in response to relatively minor changes in supply, demand, market uncertainty and other factors that are beyond the Corporation's control. Market events and conditions, including global excess crude oil and natural gas supply, actions taken by OPEC+, sanctions against, and civil unrest in Northern Africa, Iran and Venezuela, Russia and the Ukraine, the Middle East, Israel and the West Bank and Gaza Strip, and Yemen, slowing growth in China and emerging economies, market volatility and disruptions in Asia, weakening global relationships, conflict between the United States and Iran, isolationist and punitive trade policies, increased United States shale production, sovereign debt levels, world health emergencies (including global pandemics) and political upheavals in various countries including growing anti-fossil fuel sentiment, have caused significant volatility in commodity prices. Following extreme supply/demand imbalance in 2020, the crude oil and natural gas industry rebounded strongly throughout 2021, with oil prices reaching their highest levels in six years. However, the ongoing war in the Ukraine and price caps and sanctions on oil from Russia have impacted demand and oil prices throughout the latter half of 2022

which continued throughout 2023. In 2024, oil prices posted a fall for a second year as a result of stalling post-pandemic demand recovery stalled and the U.S. and non-OPEC+ producers contributed to the global oversupply, despite geopolitical tensions in the Middle East and shipping disruptions in the Red Sea due to attacks by Houthi rebel groups.

Difficulties encountered by midstream proponents to obtain the necessary approvals on a timely basis to build pipelines, liquefied natural gas plants and other facilities to provide better access to markets for the petroleum and natural gas industry in Western Canada and cross-border with the United States has led to additional downward price pressure on crude oil and natural gas produced in Western Canada. The resulting price differential between Western Canadian Select crude oil, Brent and West Texas Intermediate crude oil has created uncertainty and reduced confidence in the petroleum and natural gas industry in Western Canada (see "*Industry Conditions – Pricing and Marketing in Canada – Transportation Constraints, Pipeline Capacity and Market Access*").

Lower commodity prices may also affect the volume and value of the Corporation's reserves, especially as certain reserves become uneconomic. In addition, lower commodity prices have reduced, and are anticipated to continue to reduce, the Corporation's cash flow which could result in a reduced capital expenditure budget. As a result, the Corporation may not be able to replace its production with additional reserves and both the Corporation's production and reserves could be reduced on a year-over-year basis. See "*Risk Factors - Reserve Estimates*". A prolonged period of adverse market conditions may impede the Corporation's ability to refinance its Credit Facility or arrange alternative financing when the Credit Facility becomes due or if the lending limits under the Credit Facility are reduced upon periodic review. See "*Risk Factors - Credit Facility Arrangements*". Given the current market conditions and the lack of confidence in the Canadian oil and natural gas industry, the Corporation may have difficulty raising additional funds in the future or if it is able to do so, it may be on unfavourable and highly dilutive terms. If these conditions persist, the Corporation's cash flow may not be sufficient to continue to fund operations and to satisfy obligations when due and will require additional equity or debt financing and/or proceeds from asset sales. There can be no assurance that such equity or debt financing will be available on terms that are satisfactory or at all. Similarly, there can be no assurance that the Corporation will be able to realize any or sufficient proceeds from asset sales to discharge its obligations. See "*Risk Factors - Additional Funding Requirements*".

Borrowings

The level of Lycos's indebtedness from time to time could impair its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise, especially if its above industry standards. The Corporation's ability to meet its debt service obligations will depend on its future operations which will be subject to prevailing industry conditions and other factors, many of which are beyond the control of Lycos. In addition, the Corporation will be required to comply with the financial and other covenants included in its borrowing facilities.

As certain of the indebtedness may bear interest at rates which fluctuate with prevailing interest rates, increases in such rates would increase its interest payment obligations and could have a material adverse effect on its financial condition and results of operations. Further, the Corporation's indebtedness is secured by substantially all of its assets. In the event of a violation by the Corporation of any covenants under its credit facility or any other default on its obligations relating to its indebtedness, the lender could declare such indebtedness to be immediately due and payable, and in certain cases, foreclose on Lycos's assets.

Availability of Capital

As a result of recent economic uncertainties in the oil and gas industry and, in particular, the lack of risk capital available to the junior resource sector, Lycos, along with other junior resource entities, may have reduced access to bank debt and to equity. Lycos anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. The Corporation intends that these capital expenditures will be financed out of funds generated from operations, bank borrowings, if available, and possible issuances of debt or equity securities. Lycos's

ability to fund future capital expenditures is dependent on, among other factors, the overall state of lending and capital markets and investor and lender appetite for investments in the energy industry, generally, and Lycos's securities in particular.

There can be no assurance that debt or equity financing, or cash flow from operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Lycos. Moreover, future activities may require Lycos to alter its capitalization significantly. To the extent that external sources of capital become limited, unavailable or available only on onerous terms, Lycos's ability to invest and to maintain existing assets and to undertake or complete future drilling programs may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Compliance with Licenses, Contracts and Other Obligations

The Corporation's assets are held in the form of licences and leases and working interests in licences and leases. The Corporation's operations must be carried out in accordance with the terms of these licences, operating agreements, annual work programs and budgets together with any conditions incumbent on the Corporation at the time the relevant asset was acquired such as ongoing royalty and other rental payments. If the Corporation or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire.

In addition, the operations of the Corporation require licences and permits from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licences and permits that are required to carry out exploration and development at its properties. The permitting process can take significant time, meaning that exploration and development projects have a longer cycle time to completion than they might elsewhere.

Relevant legislation provides that fines may be imposed and a licence may be suspended or terminated if a licence holder, or party to a related agreement, fails to comply with its obligations under such licence or agreement, or fails to make timely payments of levies and taxes for the licensed activity, provide the required geological information or meet other reporting requirements.

It may from time to time be difficult to ascertain whether the Corporation has complied with obligations under licences as the extent of such obligations may be unclear or ambiguous and regulatory authorities in jurisdictions in which the Corporation does business, or in which it may do business in the future, may not be forthcoming with confirmatory statements that work obligations have been fulfilled, which can lead to further operational uncertainty.

In addition, the Corporation and its commercial partners, as applicable, have obligations to operate assets in accordance with specific requirements under their licences and related agreements, field development agreements, laws and regulations. If the Corporation or its partners were to fail to satisfy such obligations with respect to a specific field, the licence or related agreements for that field may be suspended, revoked or terminated.

Regulations and policies relating to licences and permits may change, be implemented in a way that the Corporation does not currently anticipate or take significantly greater time to obtain. These licences and permits are subject to numerous requirements, including compliance with the environmental regulations of the local governments.

The suspension, revocation, withdrawal or termination of any of the licences or related agreements pursuant to which the Corporation may conduct business, as well as any delays in the continuous development of or production at the Corporation's fields caused by the issues detailed above could materially and adversely affect the business, results of operations, financial condition or prospects. In addition, failure to comply with the obligations under the licences or agreements pursuant to which the

Corporation conducts business, whether inadvertent or otherwise, may lead to fines, penalties, restrictions, withdrawal of licences and termination of related agreements.

Exploration Risks

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on exploration by Lycos will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior Exploratory Wells or additional seismic data and interpretations thereof.

The long term commercial success of Lycos depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that Lycos will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Lycos may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs.

Production Risks

The Corporation's gas and oil production operations are subject to numerous risks common to its industry, including, but not limited to, premature decline of reservoirs, incorrect production estimates, invasion of water into producing formations, geological uncertainties such as unusual or unexpected rock formations and abnormal geological pressures, low permeability of reservoirs, contamination of gas and oil, blowouts, oil and other chemical spills, explosions, fires, equipment damage or failure, natural disasters, uncontrollable flows of oil, gas or well fluids, adverse weather conditions, shortages of skilled labour, delays in obtaining regulatory approvals or consents, pollution and other environmental risks.

In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Any of these events could lead to environmental damage, injury to persons or property and other species, failure to produce gas, natural gas liquids and oil in commercial quantities or an inability fully to produce reserves, all of which could cause substantial damage to Lycos or its reputation and put at risk some or all its interests in licences, which enable the Corporation to produce, and could result in incurrence of fines or penalties, criminal sanctions potentially being enforced against the Corporation and its management, as well as other governmental and third-party claims. Consequent production delays and declines in field operating conditions and other adverse actions taken by third parties may result in the Corporation's revenue and cash flow levels being adversely affected.

Should any of these risks materialise, the Corporation could incur legal defence costs, remedial costs and substantial losses, including those due to injury or loss of life, human health risks, severe damage to or destruction of property, natural resources and equipment, environmental damage, unplanned production

outages, clean-up responsibilities, regulatory investigations and penalties, increased public interest in the Corporation's operational performance and suspension of operations.

Regulatory

Crude oil and natural gas operations (exploration, development, production, pricing, marketing, transportation and infrastructure) are subject to extensive controls and regulations imposed by various levels of government and may be amended from time to time. Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties and the exportation of crude oil and natural gas and infrastructure projects. Amendments to these controls and regulations, including changes to royalty regimes or the calculation of production and mineral taxes, may occur from time to time in response to economic or political conditions. See "*Industry Conditions*". The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase the Corporation's costs, or make certain projects on the Corporation's assets uneconomic, which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Further, the ongoing third-party challenges to regulatory decisions or orders has reduced the efficiency of the regulatory regime as the implementation of the orders can be delayed resulting in uncertainty and interruption to business of the crude oil and natural gas industry. Recently, the federal government and certain provincial governments have taken steps to initiate protocols and regulations to limit the release of methane from oil and natural gas operations. Such draft regulations and protocols may require additional expenditures or otherwise negatively impact crude oil and natural gas operations and may affect the Corporation's business and financial condition. See "*Industry Conditions – Climate Change Regulation*".

The Corporation's operations require regulatory permits, licences, registrations, approvals and authorizations from various governmental authorities at the provincial and federal level. There can be no assurance that Corporation will be able to obtain all necessary permits, licences, registrations, approvals and authorizations to carry out exploration and development at its projects. In addition, certain federal legislation such as the Competition Act (Canada) and the Investment Canada Act (Canada) could negatively affect the Corporation's business, financial condition and the market value of its Common Shares or its assets, particularly when undertaking, or attempting to undertake, acquisition or disposition activity. It is not expected that any of these controls or regulations will affect the operations of Lycos in a manner materially different from how they would affect other oil and natural gas companies of similar size. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation – Liability Management Rating Programs*".

Liability Management

Alberta and Saskatchewan have developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licensee or permit holder becomes defunct. Changes to the requirements of liability management programs may result in significant increases to the security that must be posted by such third parties, or may result in the denial of licence or permit transfers, which could impact the availability of capital to be spent by them which could in turn materially adversely affect the Corporation's business and financial condition. The impact and consequences of the Supreme Court of Canada's decision in Redwater on the AER's rules and policies, lending practices in the crude oil and natural gas industry and on the nature and determination of secured lenders to take enforcement proceedings are expected to evolve as the consequences of the decision are evaluated and considered by regulators, lenders and receivers/trustees. In addition, liability management legislation may prevent or interfere with the Corporation's ability to acquire or dispose of assets, as both the vendor and the purchaser of oil and natural gas assets must be in compliance with the liability management programs (both before and after the transfer of the assets) for the applicable regulatory agency to allow for the transfer of such assets. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation"* and *"Industry Conditions – Liability Management Rating Programs*".

Royalty Regimes

There can be no assurance that the provincial governments of the western provinces will not adopt new royalty regimes or modify the existing royalty regimes which may have an impact on the economics of the Corporation's projects. An increase in royalties would reduce the Corporation's earnings and could make future capital investments, or the Corporation's operations, less economic. See "*Industry Conditions – Royalties and Incentives*".

Political Uncertainty

The Corporation's results can be adversely impacted by political, legal, or regulatory developments in Canada and elsewhere that affect local operations and local and international markets. Changes in government, government policy or regulations, changes in law or interpretation of settled law, third-party opposition to industrial activity generally or projects specifically and duration of regulatory reviews could impact Lycos's existing operations and planned projects. This includes actions by regulators or other political factors to delay or deny necessary licences and permits for the Corporation's activities or restrict the operation of third-party infrastructure that the Corporation relies on. Additionally, changes in environmental regulations, assessment processes or other laws, while increasing and expanding stakeholder consultation (including Indigenous stakeholders), may increase the cost of compliance or reduce or delay available business opportunities and adversely impact Lycos's results.

Other government and political factors that could adversely affect the Corporation's financial results include increases in taxes or government royalty rates (including retroactive claims) and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards, and the use of alternative fuels or uncompetitive fuel components could affect the Corporation's operations. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies. Governments and others are also promoting research into new technologies to reduce the cost and increase the
scalability of alternative energy sources, and the success of these initiatives may decrease demand for Lycos's products.

A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the petroleum and natural gas industry including the balance between economic development and environmental policy. Lack of political consensus, at both the federal and provincial government level, continues to create regulatory uncertainty, the effects of which become apparent on an ongoing basis, particularly with respect to carbon pricing regimes and transportation and export capacity, and may affect the business of participants in the petroleum and natural gas industry, which effect could prove to be material over time. See "*Industry Conditions – Climate Change Regulation*", "*Industry Conditions – Pricing and Marketing in Canada", "Industry Conditions – Transportation Constraints, Pipeline Capacity and Market Access*" and "*Industry Conditions – The United States Mexico Canada Agreement and Other Trade Agreements*".

Danielle Smith was elected as Premier on October 11, 2022. Shortly after her appointment, Premier Smith introduced Bill 1: The Alberta Sovereignty Within a United Canada Act (the "**Sovereignty Act**"). The Sovereignty Act was passed on December 8, 2022, and received Royal Assent on December 15, 2022. The *Sovereignty Act*, amongst other things, enables the Alberta Government to choose which federal legislation, policies or programs it will enforce in Alberta, providing an overriding right to not enforce those which the Alberta Government deems to be " harmful" to Alberta's interests or infringe on the Federal Constitution and its division of powers. The Sovereignty Act has been opposed by many, including the National Democratic Party and various Indigenous groups who have expressed concern as to how the Sovereignty Act will affect Indigenous rights and consultation obligations in Alberta. It is unclear what the effect the Sovereignty Act will have on Alberta, including the petroleum and natural gas industry, Alberta businesses and its federal and interprovincial relationships, including the application of certain federal legislation in Alberta, such as the GGPPA and the IAA and the way in which the Alberta Government may

address any legislative and policy gaps created. Although the Sovereignty Act has not yet been challenged in court, it is possible the Sovereignty Act's constitutionality will be challenged.

Operational Health and Safety and Environmental Regulations and Requirements

The Corporation operates in an industry that has certain hazardous risks and consequently is subject to comprehensive laws and regulations, especially with regard to the protection of health, safety and the environment. The terms of licences, permits, regulatory orders, or permissions may include more stringent operational, environmental or health and safety requirements. Any failure by the Corporation or one of its sub-contractors, whether inadvertent or otherwise, to comply with applicable legal or regulatory requirements or the terms of licenses or permits may give rise to civil, administrative or criminal liabilities, civil fines and penalties, delays or restrictions in acquiring or disposing of assets or delays in securing or maintaining the required permits, licences and approvals. A lack of regulatory compliance may even lead to denial or termination of licences the Corporation requires for operating its sites or could result in other operational restrictions or obligations.

Further, any environmental damage, loss of life, injury or damage to property caused by the Corporation's operations could damage its reputation in the areas in which it operates. Negative sentiment towards the Corporation could result in a lack of willingness of municipal authorities to grant the necessary licences or permits for Lycos to operate its business and in opposition to the Corporation's further operations in the area. If the Corporation develops a reputation of having an unsafe work site it may also impact Lycos's ability to attract and retain the necessary skilled employees and consultants to operate its business.

The Corporation's operations have the potential to impact soil, air and water quality, biodiversity and ecosystems. Obtaining development or production licences and permits may become more difficult or may be delayed due to governmental, regional or local environmental consultation, scientific studies, approvals or other considerations or requirements. Furthermore, third-parties such as environmental organizations may judicially contest licences and permits already granted by relevant authorities and operations may be subject to other administrative or judicial challenges.

Environmental legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with oil and natural gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. Compliance with environmental legislation can require significant expenditures and a breach of such legislation may result in the imposition of fines or other penalties, some of which may be material, as well as the responsibility to remedy environmental problems caused by the Corporation's operations. See "*Industry Conditions — Regulatory Authorities and Environmental Regulation*". Should Lycos be unable to fully fund the cost of remedying an environmental problem, the Corporation might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liabilities and the potential for increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Lycos to incur costs to remedy such discharge. Although Lycos believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation*".

Stakeholders, the public and provincial and federal governments are becoming increasingly concerned about habitat and species protection, including degradation to biodiversity caused by economic activity. Accordingly, governments at various levels are increasing the rigour of existing acts and regulations and issuing changes aimed at improving environmental protection.

Insurance

Lycos's involvement in the exploration for and development of oil and gas properties may result in Lycos becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although Lycos will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, Lycos may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to Lycos. The occurrence of a significant event that Lycos is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Lycos's financial position, results of operations or prospects.

Project Risks

Lycos is expected to manage and participate in a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Project cost estimates may not be accurate due to a lack of history of comparable projects. Furthermore, significant project cost over runs could make a project uneconomic.

Lycos's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond Lycos's control, including, but not limited to: the availability of processing capacity; the availability and proximity of pipeline capacity; the availability of storage capacity; the supply of and demand for oil and natural gas; the availability of alternative fuel sources; the effects of inclement weather; the availability of drilling and related equipment; unexpected cost increases; accidental events; currency fluctuations; changes in regulations; political uncertainty; environmental and Indigenous activism or land claims that potentially results in delays or cancellations of projects; litigation and judicial interpretation and application of laws; the availability and productivity of skilled labour; and the regulation of the oil and natural gas industry by various levels of government and governmental agencies. Because of these factors, Lycos could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Inflation, Cost Management and Rising Interest Rates

Canada, the United States and other countries have recently experienced high levels of inflation, supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. These factors have increased the Corporation's operating costs. The Corporation's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and funds from operations.

The cost or availability of oil and gas field equipment may adversely affect the Corporation's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to Lycos's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Corporation's financial performance and funds from operations.

In addition, many central banks, including the Bank of Canada and U.S. Federal Reserve, have taken steps to raise interest rates in an attempt to combat inflation. The rise in interest rates may impact the Corporation's borrowing costs, and further impact project returns and future development decisions, which could have a material adverse effect on the Corporation's performance. Rising interest rates could also result in a recession in Canada, the United States or other countries. A recession may have a negative

impact on demand for oil and natural gas, causing a decrease in commodity prices. A decrease in commodity prices would immediately impact the Corporation's revenues and cash flow and could also reduce the Corporation's drilling activities. It is unknown how long inflation will continue to impact the economies of Canada and the United States and how inflation and rising interest rates will impact oil and gas demand and commodity prices.

Variations in Foreign Exchange Rates and Interest Rates

Operating costs incurred by Lycos are generally paid in Canadian dollars. World crude oil and natural gas prices are quoted in U.S. dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which fluctuates over time. In 2024 and the first quarter of 2025, the Canadian dollar lost 7% against U.S. dollar, reaching its lowest level since 2020. Material increases in the value of the Canadian dollar negatively impact the Corporation's production revenues. Future Canadian/U.S. exchange rates could accordingly impact the future value of Lycos's reserves as determined by independent reserves evaluators. Although a low value of the Canadian dollar relative to the U.S. dollar may positively impact the price the Corporation receives for crude oil and natural gas production it could also result in an increase in the price of certain goods used in operations which may have a negative impact on the Corporation's financial results.

To the extent that Lycos engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Corporation may contract.

An increase in interest rates could result in a significant increase in the amount Lycos pays to service debt, which could negatively impact the market price of the Common Shares, which negative impact could prove to be material over time.

Income Taxes

Lycos files all required income tax returns and believes that it is in full compliance with the provisions of the *Income Tax Act (Canada)* and all other applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable. Income tax laws relating to the oil and natural gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that affects the Corporation. Furthermore, tax authorities having jurisdiction over Lycos may disagree with how the Corporation calculates its income for tax purposes or could change administrative practices to the Corporation's detriment.

Competition

Lycos actively competes for acquisitions, exploration leases, licences and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than Lycos. Lycos's competitors include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators.

The oil and gas industry is highly competitive. Lycos's competitors for the acquisition, exploration, production and development of oil and natural gas properties, and for capital to finance such activities include companies that have greater financial and personnel resources available to them than Lycos.

Lycos's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Cost of New Technologies

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before Lycos. There can be no assurance that Lycos will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by Lycos or implemented in the future may become obsolete. In such case, Lycos's business, financial condition and results of operations could be materially adversely affected. If Lycos is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could be materially adversely affected.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise. Lycos's actual interest in properties may vary from its records. If a title defect does exist, it is possible that Lycos may lose all or a portion of the properties to which the title defect relates, which may have a material adverse effect on Lycos's business, financial condition, results of operations and prospects. There may be valid challenges to title, or proposed legislative changes which affect title, to the oil and natural gas properties Lycos controls that, if successful or made into law, could impair Lycos's activities on them and result in a reduction of the revenue received by Lycos.

Condition of Assets

The Corporation seeks to optimise or refurbish producing assets where possible to maximise the efficiency of its operations while avoiding significant expenses associated with purchasing new equipment. The Corporation's assets require ongoing maintenance to ensure continued operational integrity. There can be no guarantee that the Corporation's assets or the assets used by the Corporation will continue to operate without fault and not suffer material damage through, for example, wear and tear, severe weather conditions, natural disasters or industrial accidents. If the Corporation's assets or the assets used by the Corporation do not operate at or above expected efficiencies, the Corporation may be required to invest substantial expenditure beyond the amounts budgeted. Any material damage to these assets or significant capital expenditure on these assets for improvement or maintenance may have a material adverse effect on the Corporation's business, results of operations, financial condition or prospects. In addition, as with planned operating and capital expenditure, there is no guarantee that the amounts expended will ensure continued operation without fault or address the effects of wear and tear, severe weather conditions, natural disasters or industrial accidents.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, NGLs and natural gas reserves and cash flows to be derived therefrom, including many factors beyond Lycos's control. In estimating reserves, the chance of commerciality is effectively 100%. The reserves and associated cash flow information and estimates represent estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results.

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at

different times, may vary. Lycos's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. Further, the evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluation.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

Actual production and revenues derived from the Corporation's assets will vary from the estimates, potentially materially, including as a result of actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

In accordance with applicable securities laws, Sproule has used the December 31, 2024, Sproule price forecasts in calculating reserves quantities. See "*Statement of Reserves Data and Other Oil and Gas Information – Pricing Assumptions*". Actual future net cash flows will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and cash flows derived therefrom will vary from the estimates contained in the Reserves Report and such variations could be material. The Reserves Report is based in part on the assumed success of activities Lycos intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the Reserves Report will be reduced to the extent that such activities do not achieve the level of success assumed in the Reserves Report. The Reserves Report is effective as of December 31, 2024, with a preparation date of February 18, 2025, and, except as may be specifically stated or required by applicable securities laws, has not been updated and, therefore, does not reflect changes in reserves since that date.

Abandonment

The Corporation may become responsible for costs associated with abandoning and reclaiming wells, facilities and pipelines which it uses for the processing of gas and oil reserves. Such Abandonment costs will be incurred by the Corporation at the end of the operating life of some of Lycos's properties. The ultimate Abandonment costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, any shortage of plugging contractors, difficult terrain or weather conditions or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves, wells losing commercial viability sooner than forecasted or changes in laws and regulations or their interpretation.

As a result, there could be significant adjustments to provisions for Abandonment established by the Corporation which would affect future financial results. The use of other funds to satisfy such Abandonment costs may impair the Corporation 's ability to focus capital investment in other areas of its business, which could materially and adversely affect the Corporation's business, results of operations, financial condition or prospects.

Climate Change Policy Risks

Global climate issues continue to attract public and scientific attention. Numerous reports, including reports from the Intergovernmental Panel on Climate Change, have engendered concern about the impacts of human activity, especially hydrocarbon combustion, on global climate issues. In turn, increasing public,

government, and investor attention is being paid to global climate issues and to greenhouse gas ("**GHG**") emissions, including emissions of carbon dioxide and methane from the production and use of oil, liquids and natural gas. The majority of countries across the globe, including Canada and the United States, have agreed to reduce their carbon emissions in accordance with the Paris Agreement. In addition, during the course of the 2021 United Nations Climate Change Conference in Glasgow, Scotland, Canada's Prime Minister Justin Trudeau made several pledges aimed at reducing Canada's GHG emissions and environmental impact. At the 2023 United Nations Climate Change Conference, Canada renewed its commitments to transitioning away from fossil fuels and further cutting emissions. At the 2024 United Nations Climate Change Conference, Canada launched a $2 billion public and private financing platform to support climate-focused investments in vulnerable areas and growing economies.

Foreign and domestic governments continue to evaluate and implement policy, legislation and regulations focused on restricting emissions commonly referred to as GHG emissions and promoting adaptation to climate change and the transition to a low-carbon economy. The majority of countries, including Canada, have agreed to reduce their carbon emissions in accordance with the Paris Agreement. At the 2021 UN Climate Change Conference, Canada made several pledges aimed at reducing Canada's GHG emissions and at the 2024 UN Climate Change Conference, Canada reaffirmed its commitments to transitioning away from fossil fuels and further cutting GHG emissions. Given the evolving nature of climate change policy and the control of GHG and resulting requirements, it is expected that current and future climate change regulations will have the effect of increasing operating expenses, and, in the long-term, potentially reducing the demand for crude oil and natural gas and related products, resulting in a decrease in the Corporation's profitability and a reduction in the value of its assets. See "*Risk Factors – Non-Governmental Organizations and Eco-Terrorism Risks*" and "*Risk Factors – Reputational Risk*".

With respect to environmental, social, governance and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators published for comment Proposed National Instrument 51-107 - *Disclosure of Climate-Related Matters*, intended to introduce climate-related disclosure requirements for reporting issuers in Canada with limited exceptions. If the Corporation is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licences, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected.

Given the evolving nature of climate change policy and the control of GHG and resulting requirements, it is expected that current and future climate change regulations will have the effect of increasing the Corporation’s operating expenses and in the long-term, potentially reducing the demand for crude oil and natural gas production resulting in a decrease in the Corporation’s profitability and a reduction in the value of its assets or requiring impairments for financial statement purposes. See "*Industry Conditions - Climate Change Regulation*", "*Risk Factors – Non-Governmental Organizations and Eco-Terrorism Risks*", "*Risk Factors – Reputational Risk*" and "*Risk Factors – Changing Investor Sentiment*".

Hydraulic Fracturing

Hydraulic fracturing involves the injection of water, sand and small amounts of additives under high pressure into rock formations to stimulate the production of crude oil and natural gas. Specifically, hydraulic fracturing enables the production of commercial quantities of oil and natural gas from reservoirs that were previously unproductive. Certain areas in Alberta and other provinces have been prone to seismic activity and as a result, additional protocols relating to hydraulic fracturing and seismic monitoring have been implemented in such areas. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, third party or governmental claims, and could increase the costs of compliance and doing business as well as delay the development of crude oil and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing could also reduce the amount of crude oil and natural gas

that is ultimately produced from the reserves associated with Lycos's assets and, therefore, could materially adversely affect the Corporation's business, financial condition, results of operations and prospects.

Water is an essential component of the Corporation's drilling and hydraulic fracturing processes. Limitations or restrictions on the Corporation's ability to secure sufficient amounts of water (including limitations resulting from natural causes such as drought), could materially and adversely impact its operations. Severe drought conditions can result in local water authorities taking steps to restrict the use of water in their jurisdiction for drilling and hydraulic fracturing in order to protect the local water supply. For instance, significantly reduced mountain snowpack and below-average precipitation from Q4 2023 through Q1 2024 has led to extremely low reservoir levels and record-low river levels in certain areas of Alberta. As such, for the first time since 2001, Alberta's Drought Command Team was authorized to negotiate water-sharing agreements with water licence holders to manage water use and mitigate the risks of drought. If the Corporation is unable to obtain water to use in its operations from local sources, water may need to be obtained from new sources and transported to drilling sites, resulting in increased costs. Cost increases could have a material adverse effect on drilling economics resulting in delays or suspensions of drilling which ultimately may have a detrimental effect on the Corporation's financial condition, results of operations, and cash flows.

Geopolitical Risks

The marketability and price of oil and natural gas that may be acquired or discovered by Lycos is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising outside of Canada, including changes in political regimes or parties in power, may have a significant impact on the price of crude oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of the Corporation’s net production revenue.

The level of geo-political risk escalates at certain points in time. While the specific impact on the global economy would depend on the nature of the event, in general, any major event could result in instability and volatility. Current areas of concern include: global uncertainty and market repercussions due to the spread of global pandemics; Russia's military invasion of Ukraine; uncertainties surround the Israeli-Hamas conflict and rising civil unrest; fall of the Syrian Assad regime and uncertainty regarding the transitional government; and activism globally.

Impact of U.S. Legislative and Regulatory Policies

The new U.S. administration has implemented legislative and regulatory changes that could have an adverse effect on Lycos and its financial condition. On February 1, 2025, President Trump of the United States signed an executive order imposing a 25% broad-based tariff on goods exported out of Canada into the United States, other than energy products (including oil and natural gas), which would be subject to a 10% tariff. The Canadian government responded by announcing a retaliatory 25% tariff on $155 billion of goods imported from the U.S. The U.S. subsequently announced a 25% tariff on goods imported from Mexico, a 10% tariff on goods imported from China, a 25% tariff on all global US imports of steel and aluminum, including finished metal products. On April 3, 2025, the U.S. announced a 25% tariff on auto imports from Canada. On April 5, 2025, the U.S. announced additional country-specific 10% reciprocal tariffs on U.S. imports. The status of tariffs and trade restrictions is rapidly evolving and the details and timing of such developments remain subject to significant uncertainty and as such, the scope, duration and impact of such factors cannot be predicted at this time.

There is uncertainty regarding U.S. tariffs and support for existing treaty and trade relationships, including with Canada. Implementation by the U.S. government of new legislative or regulatory policies could impose additional costs on Lycos, decrease U.S. demand for the Corporation’s products, or otherwise negatively impact the Corporation, which may have a material adverse effect on Lycos’ business, financial condition and operations. Furthermore, there is a risk that the tariffs imposed by the U.S. on other countries will trigger a broader global trade war which could have a material adverse effect on the Canadian, U.S. and global

economies, and by extension the Canadian oil and gas industry and the Corporation. This uncertainty may adversely impact: (i) the ability of companies to transact business with companies such as Lycos; (ii) the Corporation's profitability; (iii) regulation affecting the Canadian oil and gas industry; (iv) global stock markets (including the TSX-V); and (v) general global economic conditions. All of these factors are outside of the Corporation's control, but may nonetheless lead Lycos to adjust its strategy in order to compete effectively in global markets.

Non-Governmental Organizations

The oil and gas exploration, development and operating activities conducted by the Corporation may, at times, be subject to public opposition. The oil and natural gas industry has become increasingly politically polarizing in Canada, which has resulted in civil disobedience surrounding oil and natural gas development, particularly with respect to infrastructure projects. Such public opposition could expose Lycos to the risk of higher costs, delays or even project cancellations due to increased pressure on governments and regulators by special interest groups including Indigenous groups, landowners, environmental interest groups (including those opposed to oil and gas production operations) and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support of the federal, provincial or municipal governments, and delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences and direct legal challenges, including the possibility of climate-related litigation (see "*Industry Conditions – Transportation Constraints, Pipeline Capacity and Market Access*"). There is no guarantee that the Corporation will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require significant and unanticipated capital and operating expenditures which may negatively impact the Corporation's business, financial condition, results of operations and prospects.

In addition, the Corporation's oil and natural gas properties, wells and facilities could be the subject of a terrorist attack which may have a material adverse effect on its business, financial condition, results of operations and prospects.

Reserve Replacement

Lycos's future oil and natural gas reserves, production, and cash flows to be derived therefrom will be dependent on Lycos successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves Lycos may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Lycos's reserves will depend not only on Lycos's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that Lycos's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Anticipated Benefits of Acquisitions and Dispositions

Lycos makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Acquisitions of oil and natural gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquirer, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and natural gas, operating costs, future capital expenditures, royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of Lycos. All such assessments involve a measure of geologic, engineering, facility operations, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

Achieving the benefits of these acquisitions will depend in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as realizing the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Lycos. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management of Lycos will assess the value and contribution of individual properties and other assets. In this regard, non-core assets are expected to be periodically disposed of, so that Lycos can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of Lycos, if disposed of, could realize less than their carrying amount on the financial statements of Lycos.

Reliance on Third Parties

The Corporation's ability to market its Crude Oil and natural gas can depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. Various production, marketing and transportation conditions may cause delays in gas, natural gas liquids and oil production and adversely affect the Corporation's business. The Corporation relies on gas and oil field suppliers and contractors to provide materials and services that facilitate its production activities, including plugging and Abandonment contractors. Any competitive pressures on the oil field suppliers and contractors could result in a material increase of costs for the materials and services required to conduct the Corporation's business.

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities.

The Corporation and its off-takers rely upon the availability of pipeline and storage capacity systems, including such infrastructure systems that are owned and operated by third parties. As a result, the Corporation may be unable to access the infrastructure and systems which it currently uses or plans to use, or source alternatives or otherwise be subject to interruptions or delays in the availability of infrastructure and systems necessary for the delivery of its gas, natural gas liquids and oil to commercial markets. In addition, such infrastructure may be close to its design life and decisions may be taken to decommission such infrastructure or perform life extension work to maintain continued operations. Any of these events could result in disruptions to the Corporation's projects thereby impacting its ability to deliver gas, natural gas liquids and oil to commercial markets or may increasing the Corporation's costs associated with the production of gas, natural gas liquids and oil reliant upon such infrastructure/systems.

Further, the Corporation's off-takers could become subject to increased tariffs imposed by government regulators or the third-party operators or owners of the transportation systems available for the transport of the Corporation's gas, natural gas liquids and oil, which could result in decreased off-taker demand and downward pricing pressure.

If the Corporation is unable to access infrastructure systems facilitating the delivery of its gas, natural gas liquids and oil to commercial markets due to its contractors or primary off-takes being unable to access the necessary equipment or transportation systems, the Corporation's operations will be adversely affected. If the Corporation is unable to source the most efficient and expedient infrastructure systems for its assets then delivery of its gas, natural gas liquids and oil to the commercial markets may be negatively impacted, as may its costs associated with the production of gas, natural gas liquids and oil reliant upon such infrastructure and systems.

Reliance on Key Personnel, Management and Operators

Lycos's success will depend in large measure on certain key personnel. The operations and management of the Corporation require the recruitment and retention of a skilled workforce, including engineers, technical personnel and other professionals. The loss of the services of such key personnel, or a substantial portion

of the workforce as a whole, could result in a failure to implement the Corporation's business plans which could have a material adverse effect on Lycos's business, financial condition, results of operations and prospects. Lycos's success will be, in part, dependent on the performance of certain key personnel. The contributions of the existing management team to the immediate and near-term operations of the Corporation are likely to be of central importance. Failure to retain such individuals, or to attract or retain additional key personnel, with the necessary skills and experience could have a materially adverse impact upon the Corporation's growth and profitability. Lycos may not have any key person insurance in effect. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Lycos will be able to attract and retain all personnel necessary for the development and operation of its business.

Lycos may not be the operator of certain oil and natural gas properties in which it acquires an interest. To the extent that Lycos is not the operator of its oil and natural gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of the operators.

Management of Growth

Lycos may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of Lycos to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Lycos to deal with this growth could have a material adverse impact on its business, operations and prospects.

Hedging

From time to time, Lycos may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. Similarly, the Corporation may enter into agreements to fix the differential or discount pricing gap which exists, and may fluctuate between different grades of crude oil, NGLs and natural gas and the various market prices received for such products. However, if commodity prices or differentials increase beyond the levels set in such agreements, Lycos may be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk and the Corporation may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements. In addition, if the Corporation enters into hedging arrangements it may be exposed to the risk of financial loss in certain circumstances, including instances in which: production falls short of the hedged volumes or prices fall significantly lower than projected; there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement; the counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; and/or a sudden unexpected material event impacts crude oil and natural gas prices. Similarly, from time to time the Corporation may enter into agreements to fix the exchange rate of Canadian to U.S. dollars or other currencies in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to other currencies. However, if the Canadian dollar declines in value compared to such fixed currencies, the Corporation will not benefit from the fluctuating exchange rate.

Litigation

From time to time, the Corporation may be subject, directly or indirectly, to litigation arising out of its operations and the regulatory environments in its areas of operations. Categories of litigation that the Corporation may face include actions by royalty owners over payment disputes, personal injury claims and property related claims, including claims over property damage, trespass or nuisance.

Although the Corporation currently faces no material litigation, damages claimed under such litigation in the future may be material or may be indeterminate. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to Lycos and as a result, could have

a material adverse effect on Lycos's assets, liabilities, business, financial condition and results of operations. In addition, the Corporation may be required to incur significant expenses or devote significant resources to defending against litigation. Adverse publicity surrounding litigation could also have a material effect on the Corporation's business.

Indigenous Claims

Indigenous peoples have claimed Indigenous rights and title in portions of Western Canada. Claims and protests of Indigenous peoples may disrupt or delay third-party operations, new development or new project approvals on the Corporation's properties. Lycos is not aware that any claims have been made in respect of Corporation's assets; however, if a claim arose and was successful this could have an adverse effect on Lycos and its operations. In addition, the process of addressing such claims, regardless of the outcome, is expensive and time consuming and could result in delays which could have a negative effect on the Corporation's business, financial condition, results of operations and prospects, whereby negative effect could prove to be material over time.

Moreover, in recent years there has been increasing litigation regarding historical treaties with Indigenous peoples in Canada. Judicial interpretation of such historical treaties, and in particular the rights granted thereunder to Indigenous nations to manage and use the lands in a manner consistent with their ancestral practices, may impact future resource and industrial development in and around these lands. While the potential impact of current and future judicial decisions is uncertain at this time, it is possible that such decisions may have a negative effect on the Corporation's business, financial condition, results of operations and prospects, which negative effect could prove to be material over time. See "*Industry Conditions - Indigenous Rights*".

Carbon Pricing Risk

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. See "*Industry Conditions – Climate Change Regulation*". In Canada, the federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The federal system, which was upheld by the Supreme Court of Canada, currently applies in provinces and territories without their own system that meets federal stringency standards. Provinces with their own system are subject to continued compliance with the federal system. There is no guarantee that a province with a system that currently applies will meet, or continue to meet, federal stringency standards. See "*Industry Conditions –Climate Change Regulation*". The taxes placed on carbon emissions may have the effect of decreasing the demand for crude oil and natural gas products and at the same time, increasing the operating expenses of crude oil and natural gas companies, each of which may have a material adverse effect on the Corporation's revenue. Further, the imposition of carbon taxes puts Lycos at a disadvantage with its counterparts who operate in jurisdictions where there are less costly carbon regulations.

Cost of New Technologies

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other companies may have greater financial, technical and personnel resources that allow them to implement and benefit from technological advantages. There can be no assurance that Lycos will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If Lycos implements such technologies, there is no assurance that the Corporation will do so successfully. One or more of the technologies currently utilized by Lycos or implemented in the future may become obsolete. In such case, the Corporation's business, financial condition and results of operations could be materially adversely affected. If Lycos is unable to utilize the most advanced commercially available technology, or it is unsuccessful in implementing certain technologies, the Corporation's business, financial condition and results of operations could be materially adversely affected.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, Lycos may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put Lycos at competitive risk and may cause significant damage to its business. The harm to Lycos's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, Lycos will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Conflicts of Interest

Certain directors and officers of Lycos are also, or may in the future be, directors and officers of other oil and gas companies, that may compete or be counterparties to agreements with the Corporation and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA and the Corporation's policies which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract, or material transaction, or proposed material transaction, with the Corporation disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA. See "*Directors and Officers – Conflicts of Interest*".

Active Trading Market

The liquidity of the Common Shares on the TSX-V will be influenced by a large number of factors, some specific to the Corporation and its operations and others outside its control and unrelated to the Corporation's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Corporation, speculation about the Corporation in the press or the investment community, strategic actions by competitors, changes in market conditions and regulatory changes in any number of countries. There can be no guarantee that an active trading market for the Common Shares will be maintained.

Dilution of holders of Common Shares

Lycos may seek to raise financing to fund future acquisitions or other growth opportunities. The Corporation may, for these and other purposes, issue additional equity or convertible equity securities. As a result, existing holders of Common Shares may suffer dilution in their percentage ownership or the market price of the Common Shares may be adversely affected.

The Corporation has issued the Warrants and options under its stock option plan. The Corporation may, in the future, issue further options, warrants or convertible securities. The exercise or conversion of any such options, warrants or convertible securities would result in dilution of the holdings of other Shareholders.

In addition, the Corporation may decide to offer additional Common Shares in the future. Subject to any applicable pre-emption right, any future issues of Common Shares by the Corporation may have a dilutive effect on the holdings of Shareholders and could have a material adverse effect on the market price of the Common Shares as a whole.

Credit Facility

The amount authorized under the Credit Facility is dependent on the borrowing base determined by the lender to Lycos under the Credit Facility. The Corporation is required to comply with covenants under the Credit Facility, which from time to time, either affect the availability, or price, of additional funding and in the

event that the Corporation does not complete therewith, the Corporation's access to capital could be restricted or repayment could be required. The failure of the Corporation to comply with such covenants, which may be affected by events beyond the Corporation's control, could result in the default under the Credit Facility which could result in the Corporation being required to repay amounts owing thereunder. Even if the Corporation is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing, the lender under the Credit Facility could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness. In addition, the Credit Facility may, from time to time, impose operating and financial restrictions on the Corporation that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to the Corporation's securities, incurring of additional indebtedness, provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others.

Investment Risk

An investment in a quoted Corporation is highly speculative, involves a considerable degree of risk, and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time or to lose their investment principal. Potential investors should also consider the risks that are relevant to the industry in which the Corporation operates.

Seasonality and Weather Conditions

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. A mild winter or wet spring may make the ground unstable, limit access and, as a result, cause reduced operations or a cessation of operations. Municipalities and provincial transportation departments enforce road bans that restrict the movement of drilling rigs and other heavy equipment during periods of wet weather, thereby reducing activity levels. Also, certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. In addition, extreme cold weather, heavy snowfall and heavy rainfall may restrict access to the Corporation's properties and cause operational difficulties including damage to machinery or contribute to personnel injury because of dangerous working conditions. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and also to volatility in commodity prices as the demand for natural gas typically fluctuates during cold winter months and hot summer months.

There can be no assurance that these seasonal factors will not adversely affect the timing and scope of Lycos's exploration and development activities, which could in turn have a material adverse impact on Lycos's business, operations and prospects.

IT and Cyber-Security

The Corporation depends on digital technology, among other things, to process and record financial and operating data, communicate with its employees and business partners, analyze seismic and drilling information, and estimate quantities of oil and gas resources and reserves. Accordingly, the Corporation is susceptible to cyber incidents (both deliberate and unintentional). The unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information could disrupt the Corporation's business plans and negatively impact its operations in a number of ways. Disruption of critical information technology services, or breaches of information security, could have a negative effect on the Corporation's performance and earnings, as well as reputation. Lycos applies technical and process controls in line with industry-accepted standards to protect information assets and systems; however, these controls may not adequately prevent cyber-security breaches. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Corporation's financial condition and results of operations.

As cyber threats continue to evolve, the Corporation may be required to expend significant additional resources to continue to modify or enhance its protective measures or to investigate and remediate any information security vulnerabilities.

Social Media

Increasingly, social media is used as a vehicle to carry out cyber-phishing attacks. Information posted on social media sites, for business or personal purposes, may be used by attackers to gain entry into the Corporation's systems and obtain confidential information. Lycos periodically reviews, supervises, retains and maintains the ability to retrieve social media content. Despite these efforts, as social media continues to grow in influence and access to social media platforms becomes increasingly prevalent, there are significant risks that the Corporations may not be able to properly regulate social media use and preserve adequate records of business activities and client communications conducted through the use of social media platforms.

Limited Ability of Residents in the U.S. to Enforce Civil Remedies

The Corporation is a corporation formed under the laws of Alberta, Canada and has its principal place of business in Canada. All of the Corporation's directors and officers and the representatives of the experts who provide services to Lycos (such as the Corporation's auditors and independent reserve engineers), and all of Lycos's assets and all or a substantial portion of the assets of such persons are located outside the U.S. As a result, it may be difficult for investors in the U.S. to effect service of process within the U.S. upon such directors, officers and representatives of experts who are not residents of the U.S. or to enforce against them judgments of the U.S. courts based upon civil liability under the U.S. federal securities laws or the securities laws of any state within the U.S. There is doubt as to the enforceability in Canada against the Corporation or against any of Lycos's directors, officers or representatives of experts who are not residents of the U.S., in original actions or in actions for enforcement of judgments of U.S. courts of liabilities based solely upon the U.S. federal securities laws or securities laws of any state within the U.S.

Third Party Credit Risk

Lycos may be exposed to third party credit risk through its contractual arrangements with future joint venture partners, marketers of its petroleum and natural gas production, suppliers, counterparts to its financial instruments, including hedging activities, and other parties. In the event that any such entity fails to meet its contractual obligations to Lycos, such failures could have a material adverse effect on Lycos and its cash flow from operations. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Corporation being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Corporation's business and financial condition.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for Crude Oil and other liquid hydrocarbons. Lycos cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on Lycos's business, financial condition, results of operations and cash flows.

Changing Investor Sentiment

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, concerns of the impact of oil and gas operations on the environment, concerns of environmental damage relating to spills of petroleum products during transportation and concerns of indigenous rights, have affected certain investors' sentiments towards investing in the oil and gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to

fund or invest in oil and gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Corporation, its management and employees. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in the Corporation or not investing in the Corporation at all. Any reduction in the investor base interested or willing to invest in the oil and gas industry and more specifically, the Corporation, may result in limiting the Corporation's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares.

Pandemic Risk

Severe disruptions in regional economies and the world economy can be caused by the outbreak of a contagious illness. Such pandemics and efforts to contain them could result in international, national and local border closings, travel restrictions, significant disruptions to business operations, supply chains, customer activity and demand, service cancellations, reductions and other changes, significant challenges in healthcare service preparation and delivery, and quarantines, as well as considerable general concern and uncertainty, all of which could negatively affect the economic environment and may in the future have further impacts, as was the case for the COVID-19 pandemic. It is not possible to predict what measures and restrictions may be imposed by governmental authorities and the period of time during which those measures and restrictions may apply. Economic and supply chain disruptions, including temporary staff shortages resulting from a pandemic, could further materially affect the Corporation's financial results and operations. A pandemic could also further and significantly impact global economic activity, including demand for hydrocarbons, and cause increased market volatility, continued changes to the macroeconomic environment and commodity prices in connection with ensuing economic disruption, supply shortages, trade disruption, temporary staff shortages and temporary closures of facilities in geographic locations more importantly impacted by the outbreak. The scope and severity of such disruptions and their impact on the Corporation's financial results and operations could be material.

Evolving Corporate Governance, Sustainability and Reporting Framework

The Corporation's business is subject to evolving corporate governance and public disclosure regulations that have increased both compliance costs and the risk of noncompliance, which could have an adverse effect on the price of the Corporation's securities. Lycos is subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including the Canadian Securities Administrators, the TSX-V and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity making compliance more difficult and uncertain. Further, the Corporation's efforts to comply with these and other new and existing rules and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Reputational Risk

The Corporation's business, financial condition, operations or prospects may be negatively impacted as a result of any negative public opinion toward the Corporation or as a result of any negative sentiment toward or in respect of the Corporation's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Corporation operates as well as their opposition to certain crude oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences and increased costs and/or cost overruns.

Any environmental damage, loss of life, injury or damage to property caused by Lycos's operations could damage the reputation of the Corporation in active operational areas. The Corporation's reputation could

be affected by actions and activities of other corporations operating in the crude oil and natural gas industry, over which the Corporation has no control. If the Corporation, either directly or indirectly, develops a reputation of having unsafe work sites it may impact the ability of the Corporation to attract and retain the necessary skilled employees and consultants to operate its business. Opposition from special interest groups opposed to oil and natural gas development and the possibility of climate related litigation against fossil fuel companies may indirectly harm the Corporation's reputation. In addition, environmental damage, loss of life, injury or damage to property caused indirectly by the Corporation's operations could result in negative investor sentiment towards the Corporation, which may result in limiting the Corporation's access to capital, increasing the cost of capital and decreasing the price and liquidity of the Common Shares. Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard Corporation's reputation.

Expansion into New Activities

In the future, Lycos may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets, and as a result may face unexpected risks or alternatively, significantly increase Lycos's exposure to one or more existing risk factors, which may in turn result in Lycos's future operational and financial conditions being adversely affected.

Forward Looking Information May Prove to be Inaccurate

Investors are cautioned not to place undue reliance on forward looking information. By its nature, forward looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found herein under the heading "*Special Note Regarding Forward Looking Statements*" above.

DIVIDENDS

The Corporation has not declared or paid any dividends for each of the three most recently completed financial years. It is the intention of the Corporation to retain any earnings to finance the growth and development of the Corporation's business, and, therefore the Corporation does not anticipate paying any dividends in the immediate or foreseeable future.

DESCRIPTION OF SHARE CAPITAL

As of the date hereof, Lycos is authorized to issue an unlimited number of Common Shares and an unlimited of preferred shares, of which 53,237,528 Common Shares and nil preferred shares are issued and outstanding.

Common Shares

The holders of Common Shares are entitled to dividends as and when declared by the Board, a right to one vote per Common Share at meetings of the Shareholders and, upon liquidation, to share in the remaining assets of Lycos as are distributable to such holders.

Preferred Shares

Preferred shares may be issued by the Corporation from time to time in one or more series and the Board may fix the number of preferred shares which is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each such series. The preferred shares of each series

shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Corporation be entitled to preference over the Common Shares.

Options

The Corporation has a stock option plan under which options to purchase Common Shares may be granted to officers, directors, employees and consultants. The Board has approved a policy of reserving up to 10% of the outstanding Common Shares for issuance to eligible participants. Under the stock option plan, and in accordance with the policies of the TSX-V, the maximum term of options issued may not exceed 10 years.

Warrants

As of the date hereof, the only outstanding Warrants are the Warrants issued pursuant to the Unit Private Placement. For more information regarding the terms of the Warrants, please see "*General Development of the Business – Three Year History – Financial Year Ended December 31, 2023*".

MARKET FOR SECURITIES AND TRADING HISTORY

The Common Shares commenced trading on the TSX-V under the symbol "LCX" The following table sets forth the price range and trading volume of the Common Shares as reported by the TSX-V for the periods indicated.

Period	High ($)	Low ($)	Volume
January 2024	3.47	3.12	1,001,233
February 2024	3.29	3.05	1,070,083
March 2024	3.60	3.05	568,599
April 2024	3.83	3.25	1,473,268
May 2024	3.73	3.35	3,103,833
June 2024	3.55	3.15	519,306
July 2024	3.46	3.21	572,910
August 2024	3.38	3.00	630,626
September 2024	3.16	2.65	553,040
October 2024	3.00	2.62	402,011
November 2024	2.95	2.40	345,202
December 2024	2.88	2.34	373,846

PRIOR SALES

During the year ended December 31, 2024, the Corporation did not issue any securities that are outstanding but not listed or quoted on a marketplace other than as set forth below.

Date of Issuance	Class of Securities	Number of Securities Issued	Issue Price
January 24, 2024	Stock Options	37,500	$3.26
June 3, 2024	Stock Options	44,625	$3.50
August 22, 2024	Stock Options	62,100	$3.19
September 17, 2024	Stock Options	100,000	$2.80

DIRECTORS AND OFFICERS

The name, municipality of residence, shareholdings and principal occupation for the past 5 years of each of the Corporation's directors and senior officers are as follows. The term of office for each director named below will expire at the next annual meeting of shareholders of the Corporation.

Name, Residence and Position	Director Since	Principal Occupation During the Last Five Years
David Burton *Calgary, Alberta* Director, President and Chief Executive Officer	December 12, 2022	Mr. Burton has over 30 years of experience in the upstream oil and gas industry in all facets of petroleum engineering work including reservoir engineering, evaluations, secondary and tertiary recovery, unconventional oil and gas, area development and acid gas projects including work on CO2 sequestration in coals. He has had numerous executive roles and been involved in founding multiple successful start up energy companies. Prior to founding Chronos, Mr. Burton was a co-founder at Raging River Exploration Inc. ("Raging River") and Wild Stream Exploration Inc. ("Wild Stream"). Mr. Burton is a professional engineer and a member of the Alberta Association of Professional Engineers and Geoscientists of Alberta. Mr. Burton holds degrees in Petroleum Engineering from the University of Alberta (BSc) and a Master of Engineering degree in Chemical and Petroleum Engineering from the University of Calgary.
Kyle Boon(4) *Calgary, Alberta* Chief Operating Officer	N/A	Mr. Boon has over 20 years experience in the Western Canadian oil and gas sector. Mr. Boon most recently was a Founder and the Drilling and Completions Manager of Raging River and prior thereto held the role of Senior Production Technologist at Wild Stream. Mr. Boon holds a Petroleum Engineering Technology Diploma from the Northern Alberta Institute of Technology and is a member of the Association of Science & Engineering Technology Professionals of Alberta (ASET).
Lindsay Goos *Calgary, Alberta* Vice-President, Finance and Chief Financial Officer	N/A	Ms. Goos has over 20 years of experience in the oil and gas industry in the disciplines of finance, financial reporting, budgeting, accounting, management, treasury, tax and business development. Previously, Founder, VP Finance & CFO of Imaginea Energy Ltd. and prior thereto Controller of BlackShire Energy Ltd. Ms. Goos began her professional career with KPMG and has held progressively senior roles at various other oil and gas companies. Ms. Goos is a member of the Chartered Professional Accountants of Alberta and holds a Bachelor of Commerce and Arts degree from the University of Saskatchewan.
Jamie Conboy *Calgary, Alberta* Vice President, Exploration	N/A	Jamie Conboy is professional geologist with over 30 years of experience, most recently working as subsurface lead with Bison Low Carbon Ventures (CCS) and formerly as founding member of the Storm Group of companies for 20 years in capacities of Vice President Geoscience and Chief Geologist. In his previous 12 years in the industry Mr. Conboy has worked on a variety of properties and play types at Canadian Hunter Exploration Ltd, Renaissance Energy Ltd. and Pinnacle Resources Ltd, among others. Mr. Conboy is a registered Professional Geologist and Responsible Member of APEGA in the Province of Alberta and holds a B.Sc. (Honours) in Geology from Queen's University (1992).
Barret Henschel(4) *Calgary, Alberta* Vice President, Production	N/A	Mr. Henschel has over 15 years experience in the oil and gas industry. Mr. Henschel joined the organization in January 2023 as Operations Manager. Prior to joining Lycos, Mr. Henschel was the Manager of Development – Light Oil at Baytex Energy Inc. and prior thereto was a Senior Area Engineer at Raging River Exploration. Mr. Henschel is a Professional Engineer and a member of the Association of Professional Engineers and Geoscientists of Alberta, holding a degree in Mechanical Engineering, with a Petroleum Minor from the University of Calgary.
Jeff Rideout *Calgary, Alberta* Vice President, Land	N/A	Mr. Rideout has over 20 years of experience in the oil and gas industry in the disciplines of commercial negotiations, acquisitions and divestitures in private, public and service companies. Mr. Rideout was previously a Senior Land/Commercial Negotiator with Whitecap Resources Inc., TORC Oil and Gas Ltd, and prior thereto Founder and Vice President Elkhorn Resources Inc. Jeff holds his Professional Landman (P.Land) designation and earned a Master of Business Administration (MBA) degree from The Haskayne School of Business, and a Bachelor of Arts (B.A.) degree from the University of Calgary.

Name, Residence and Position	Director Since	Principal Occupation During the Last Five Years
Kevin Olson[1] [2] *Calgary, Alberta* Chair of the Board	December 12, 2022	Mr. Olson has over 27 years of industry experience and is currently a director of Headwater Exploration Inc. ("Headwater"). Mr. Olson is a former board member of Raging River, Wild Stream, Wild River Resources Inc. ("Wild River") and Prairie Schooner Petroleum Ltd. Mr. Olson has managed four early stage energy funds and served as a director of a variety of exploration and production companies and petroleum services companies. Formerly Mr. Olson was Vice-President, Corporate Finance at FirstEnergy Capital Corp. and Vice-President, Corporate Development for Northrock Resources Ltd. Mr. Olson holds a Bachelor of Commerce degree majoring in finance and accounting from the University of Calgary.
Ali Horvath[1][2] *Calgary, Alberta* Director	December 12, 2022	Ms. Horvath is the Chief Financial Officer of Headwater. Ms. Horvath was previously a founder and the Controller of Raging River and prior thereto was a Senior Financial Accountant with Wild Stream. Ms. Horvath is a Chartered Professional Accountant and holds a Bachelor of Management degree from the University of Lethbridge.
Kel Johnston[2][3] *Calgary, Alberta* Director	December 12, 2022	Mr. Johnston is currently CEO of Wylander Crude Corp, a firm that provides consultancy services to oil and gas and private equity clients in Canada and the USA. He is also a Technical Advisor to Carbon Infrastructure Partners. Mr. Johnston has forty years of technical/financial/ ESG experience in the Canadian and Northern USA oil and gas sector, and capital markets experience from public companies to the oversight of private equity investments to leading edge carbon Capture and Storage knowledge. He has been directly involved in the conceptualization, discovery and exploitation of numerous oil and gas pools from the foothills of Alberta, BC and Montana to the plains of SE Saskatchewan. Mr. Johnston has maintained technical skills through ownership/active technical role in a private E&P company that holds interests in 2 CCUS projects. He has over 30 years of experience as a founder, executive and board member of numerous public and private oil and gas companies. Direct experience in a wide range of corporate activities including capital markets, private equity, ESG, mergers, sales/acquisition/strategic processes, and IPOs. Mr. Johnston is a Professional Geologist and holds a Bachelor of Science (Hons.) degree in Geology from the University of Manitoba and a Masters degree in Economics from the University of Calgary.
Bruce Beynon[3] *Calgary, Alberta* Director	December 12, 2022	Mr. Beynon is a professional geologist with over 30 years of oil and gas industry experience. Mr. Beynon is currently the Vice President, Light Oil at Athabasca Oil Corp. Before assuming the role with Athabasca, in December 2023, Mr. Beynon was the President of Tiburon Exploration Corp., a private consulting company. Prior thereto, Mr. Beynon was Executive Vice President, Exploration and Corporate Development at Baytex Energy Corp. Prior to the merger between Baytex and Raging River, Mr. Beynon held several positions with Raging River including President, Executive Vice President and Vice President, Exploration. Mr. Beynon graduated with a Bachelors and Masters of Science degree in Geology from the University of Alberta. Mr. Beynon serves on the Board of Southern Energy Corp., a TSX-V listed company with focused operations in the southeast Gulf States of the US
Geri Greenall[1][3] *Calgary, Alberta* Director	June 14, 2023	Geri Greenall is the Chief Operating Officer of Cascade Trading Ltd. Ms. Greenall was a founding member of the management team and the Chief Financial Officer of Spartan Delta Corp. from December 2019 to December 2023. Prior thereto Ms. Greenall co-founded and was a Portfolio Manager and Chief Financial Officer at Camber Capital, a fund manager offering private client and institutional fund management services. Ms. Greenall has a strong background in public equity analysis and commodity trading. Ms. Greenall is a Director of Logan Energy Corp. and former Lead Independent Director of Kelt Exploration. Ms. Greenall is also a Director of Thread Innovations Inc., a Board Member of The Explorers and Producers Association of Canada ("EPAC"), and a Governor for Hull Services. Ms. Greenall holds a Bachelor of Commerce in Finance from the University of Calgary and a Chartered Financial Analyst and Institute of Corporate Directors designation. Ms. Greenall also holds the FSA Level 1 Credential from the Sustainable Accounting Standards Board.

Notes:

1. Ms. Ali Horvath (Chair), Ms. Geri Greenall and Mr. Kevin Olson form Lycos's Audit Committee.
2. Messrs. Mr. Kelvin Johnston (Chair), Mr. Kevin Olson, and Ms. Ali Horvath form Lycos's Corporate Governance and Compensation Committee.

3. Messrs. Mr. Bruce Beynon (Chair), Ms. Geri Greenall, and Mr. Kelvin Johnston form Lycos's Reserves, Health, Safety and Environment Committee.

As of the date hereof, the directors and officers of the Corporation as a group, beneficially own, or exercise control or direction over, an aggregate of approximately 6,659,113 Common Shares representing approximately 12.51% of the issued and outstanding Common Shares.

The information as to Common Shares beneficially owned, directly or indirectly or over which control or direction is exercised, is based upon information furnished to the Corporation by each of the individuals listed above.

Corporate Cease Trade Orders

To the knowledge of management of the Corporation, no director or officer of Lycos, has, within ten years before the date hereof, been a director, chief executive officer or chief financial officer of any company that:

(a) was subject to an order (as defined below) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of the above section, "order" means a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effective for a period of more than 30 consecutive days.

Bankruptcies

To the knowledge of management of the Corporation, no director, executive officer, or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

(a) is, at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangements or compromise with creditors or had a receive, receiver manager or trustee appointed to hold its assets; or

(b) has within the 10 years before the date hereof become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of management of the Corporation, no director, executive officer, or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which some of the directors or officers of Lycos will be subject in connection with the operations of Lycos. Some of the directors or officers are engaged in and will continue to be engaged in companies or businesses which may be in competition with the business of Lycos. Accordingly, situations may arise where some or all of the directors or officers will be in direct competition with Lycos. Conflicts, if any, will be subject to the procedures and remedies as provided under the ABCA. See also "*Risk Factors*".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of management of the Corporation, there are no legal proceedings or regulatory actions material to the Corporation to which the Corporation is a party, or was a party to during the most recently completed financial year, or of which any of its properties is the subject matter, or was the subject matter of during the most recently completed financial year, nor are there any such proceedings known to the Corporation to be contemplated. There have been no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority and the Corporation has not entered to any settlement agreements with a court or securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as provided below, there are no material interests, direct or indirect, of directors or executive officers of the Corporation, or any shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares, or any other Informed Person (as defined in NI 51-102) or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial that has materially affected or would materially affect the Corporation or any of its subsidiaries.

Sanjib Gill, the Corporate Secretary of the Corporation, is a partner of the national law firm Stikeman Elliott LLP, which law firm rendered legal services to the Corporation.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Corporation is Odyssey Trust Corporation, 1230 – 300 5th Avenue S.W., Calgary, Alberta T2P 3C4.

MATERIAL CONTRACTS

The Corporation has not entered into any material contracts within the most recently completed financial year or before the most recently completed financial year which are still in effect, other than contracts entered into in the ordinary course of business.

INTERESTS OF EXPERTS

Reserves estimates contained in this AIF were derived from the Reserves Report prepared by Sproule, an independent reserves evaluator. As of December 31, 2024, to the knowledge of management of the Corporation, the principals of Sproule who participated in the preparation of the Reserves Report who were in a position to directly influence the preparation or outcome of the preparation of the Reserves Report as a group had no ownership or beneficial interest, direct or indirect, in any of the Corporation's securities or other property of Lycos. In addition, none of the officers, directors, employees or consultants of Sproule are

currently expected to be elected, appointed or employed as a director, officer or employee of Lycos or any of the Corporation's associates or affiliates.

KPMG is the auditor of the Corporation and has confirmed that it is independent with respect to Lycos within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

Other than as set out above, no other experts (whose profession or business gives authority to a report, valuation, statement or opinion made by them) were named in any securities disclosure document filed by the Corporation pursuant to NI 51-102 in the most recently completed financial year.

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR+ at www.sedarplus.ca. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans will be contained in the Corporation's management information circular relating to its upcoming annual meeting of shareholders. Additional financial information is contained in the Corporation's financial statements and the related management's discussion and analysis for the year ended December 31, 2024.

Additional copies of this AIF and the materials listed in the preceding paragraph are available on SEDAR+ at www.sedarplus.ca and upon request by contacting the Corporation at its offices at 215 – 2nd Street SW, Suite 1900, Calgary, Alberta T2P 2Z1 or by phone at 403-453-1950.

FORM 51-101F2
REPORT ON RESERVES DATA
BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

To the Board of Directors of Lycos Energy Inc. (the "**Company**"):

1. We have evaluated the Company's reserves data as at December 31, 2024. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2024, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**"), maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2024, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's management and Board of Directors:

Independent Qualified Reserves Evaluator or Auditor	Effective Date	Location of Reserves (Country)	Net Present Value of Future Net Revenue Before Income Taxes (10% Discount Rate)			
			Audited (M$)	Evaluated (M$)	Reviewed (M$)	Total (M$)
Sproule	December 31, 2024	Canada	Nil	345,780	Nil	345,780

6. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our report referred to in paragraph 5 for events and circumstances occurring after the effective date of our report, entitled "Evaluation of the P&NG Reserves of Lycos Energy Inc. (As of December 31, 2024)".

8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

SPROULE INTERNATIONAL LIMITED
Calgary, Alberta
Date: February 18, 2025

(signed) "Meghan Klein"
Meghan Klein, P. Eng.
Senior Manager, Engineering

(signed) "Gary R. Finnis"
Gary R. Finnis, P. Eng.
Senior Manager, Engineering

FORM 51-101F3
REPORT OF MANAGEMENT AND DIRECTORS
ON RESERVES DATA AND OTHER INFORMATION

Management of Lycos Energy Inc. (the "**Corporation**") is responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data.

Sproule is an independent qualified reserves evaluators, has evaluated the Corporation's reserves data. The report of the independent qualified reserves evaluators will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Corporation has:

(a) reviewed the Corporation's procedures for providing information to the independent qualified reserves evaluators;

(b) met with the independent qualified reserves evaluators to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluators.

The Reserves Committee of the board of directors of the Corporation has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors of the Corporation has, on the recommendation of the Reserves Committee, approved:

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluators on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

(signed) *"Dave Burton"*
Dave Burton
President & Chief Executive Officer

(signed) *"Jamie Conboy"*
Jamie Conboy
Vice President, Exploration

(signed) *"Bruce Beynon"*
Bruce Beynon
Director &
Chair of the Reserves Committee

(signed) *"Kevin Olson"*
Kevin Olson
Director &
Chair of the Board

April 8, 2025