

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in all of the provinces of Canada, except Québec, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities to be offered hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**1933 Act**"), or any state securities laws. Accordingly, these securities may not be offered, sold or delivered within the United States (as defined herein) except in accordance with the Underwriting Agreement (as defined herein) and pursuant to an exemption from the registration requirements of the 1933 Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice President, Finance and Chief Financial Officer of the Corporation at Suite 1900, 215 – 2nd Street S.W., Calgary, Alberta, T2P 1M4 (telephone (403) 453-1950) and are also available electronically at www.sedarplus.ca.

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

September 19, 2023



\$30,437,700
8,574,000 Common Shares

\$3.55 per Common Share

This short form prospectus qualifies the distribution (the "**Offering**") of 8,574,000 common shares (the "**Offered Shares**") in the capital of Lycos Energy Inc. ("**Lycos**" or the "**Corporation**") at a price of \$3.55 per Offered Share (the "**Offering Price**").

The terms of the Offering, including the Offering Price, were determined by negotiation between the Corporation and National Bank Financial Inc. (the "**Lead Underwriter**"), on its own behalf and on behalf of BMO Nesbitt Burns Inc., Peters & Co. Limited, Eight Capital, Haywood Securities Inc. and Paradigm Capital Inc. (collectively and together with the Lead Underwriter, the "**Underwriters**"). See "Plan of Distribution".

The issued and outstanding common shares in the capital of the Corporation (the "**Common Shares**") are listed and posted for trading on the TSX Venture Exchange (the "**TSXV**") under the symbol "**LCX**". On September 12, 2023 and September 18, 2023, the last trading days before the public announcement of the Offering and the date of this short form prospectus, respectively, the closing price of the Common Shares on the TSXV was \$3.75 and \$3.72, respectively. The Corporation has applied to list the Offered Shares on the TSXV. Such listing will be subject to the Corporation fulfilling all of the listing requirements of the TSXV.

	Price to the Public	Underwriting Fee⁽¹⁾	Net Proceeds to the Corporation⁽¹⁾⁽²⁾⁽³⁾
Per Offered Share.....	\$3.55	\$0.1775	\$3.3725
Total	\$30,437,700.00	\$1,521,885.00	\$28,915,815.00

Notes:

- (1) The Corporation has agreed to pay the Underwriters a cash commission equal to 5.0% of the gross proceeds of the Offering (the "**Underwriting Fee**"), which is equal to \$0.1775 per Offered Share.
- (2) Before deducting expenses of the Offering estimated to be \$450,000.00 (exclusive of GST), which will be paid out of the Corporation's general funds.
- (3) The Corporation has granted to the Underwriters an over-allotment option (the "**Over-Allotment Option**") to purchase up to an additional 1,286,100 Offered Shares, representing 15% of the Offering, at the discretion of the Underwriters at a price equal to \$3.55 per Offered Share, on the same terms and conditions as the Offering. The Over-Allotment Option is exercisable, in whole or in part, at any time up to 30 days following the Closing Date (as defined herein) to cover over-allotments, if any, and for market stabilization purposes. If the Underwriters exercise the Over-Allotment Option relating to the Offered Shares in full, the total Offering Price to the public, the Underwriting Fee and net proceeds to the Corporation (before deducting expenses) will be \$35,003,355.00, \$1,750,167.75 and \$33,253,187.25, respectively. This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of any Offered Shares issued pursuant to the exercise of the Over-Allotment Option. See "*Plan of Distribution*".

The following table sets forth the number of Offered Shares that may be issued by the Corporation pursuant to the Over-Allotment Option:

Underwriters' Position	Maximum Number of Offered Shares	Exercise Period	Exercise Price per Offered Share
Over-Allotment Option	1,286,100	Up to 30 days following the Closing Date	\$3.55

A purchaser who acquires Offered Shares forming part of the Underwriters' over-allocation position acquires such securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The Underwriters, as principals, conditionally offer the Offered Shares, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "*Plan of Distribution*" and subject to approval of certain legal matters relating to the Offering on behalf of the Corporation by Stikeman Elliott LLP, and on behalf of the Underwriters by Burnet, Duckworth & Palmer LLP.

Subscriptions for the Offered Shares issuable hereunder will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offered Shares (other than any Offered Shares issuable pursuant to the exercise of the Over-Allotment Option) shall be taken up by the Underwriters, if at all, on or before a date not later than 42 days after the date of the receipt for the final short form prospectus. It is expected that Closing (as defined herein) will occur on or before October 16, 2023, or such other date as the Corporation and the Lead Underwriter, on its own behalf and on behalf of the other Underwriters, may agree, but in any event no later than the date that is 42 days after the receipt for the final short form prospectus.

Except in certain limited circumstances: (i) the Offered Shares will be registered and represented electronically through the non-certificated inventory system of CDS (as defined herein) in "book-based" form; (ii) no certificates evidencing the Offered Shares will be issued to purchasers of Offered Shares unless specifically requested; and (iii) purchasers of Offered Shares will receive only a customer confirmation from the Underwriter or other registered dealer who is a CDS depository participant and from or through whom a beneficial interest in the Offered Shares is purchased.

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market in accordance with applicable stabilization rules. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

The Underwriters propose to offer the Offered Shares initially at the Offering Price. After a reasonable effort has been made to sell all of the Offered Shares at the Offering Price, the Underwriters may offer the Offered Shares at prices lower than the Offering Price. Notwithstanding any reduction by the Underwriters in the Offering Price, any such reduction will not affect the proceeds received by the Corporation. See "*Plan of Distribution*".

An investment in the Offered Shares is subject to certain risks inherent in the Corporation's involvement in the exploration for, and the acquisition, development and production of, crude oil and natural gas reserves. The risk factors identified under the headings "*Risk Factors*" and "*Special Note Regarding Forward-Looking Statements*" in this short form prospectus, under the heading "*Risk Factors*" in the AIF (as defined herein), and under the heading "*Risks and Uncertainties*" in each of the Interim MD&A (as defined herein) and the Annual MD&A (as defined herein), should be carefully reviewed and evaluated by prospective subscribers before purchasing the securities being offered hereunder.

National Bank Financial Inc. is a direct or indirect wholly-owned subsidiary of National Bank of Canada, which is a lender to the Corporation and to which the Corporation is presently indebted. Further, National Bank Financial Inc. acted as an adviser to the Corporation in connection with the DCEL Acquisition and will receive a fee upon the closing of the DCEL Acquisition. Consequently, the Corporation may be considered a "connected issuer" of National Bank Financial Inc. within the meaning of applicable Canadian securities legislation. See "*Relationship Between the Corporation and Certain Underwriters*".

Investors should rely only on the information contained in this short form prospectus and the documents incorporated by reference herein. The Corporation has not authorized anyone to provide investors with different information. The Corporation is not offering the Offered Shares in any jurisdiction in which the Offering is not permitted. Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date of this short form prospectus. Subject to the Corporation's obligations under applicable securities laws, the information contained in this short form prospectus is accurate only as of the date of this short form prospectus regardless of the time of delivery of this short form prospectus or of any sale of the Offered Shares.

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

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SELECTED DEFINITIONS

In this short form prospectus, the following terms have the meanings set forth below.

"**1933 Act**" has the meaning ascribed thereto on the cover page of this short form prospectus.

"**2022 Consolidation**" means the consolidation of the 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.

"**2023 Consolidation**" means the consolidation of the Common Shares completed on August 24, 2023, on the basis of one (1) post-consolidation Common Share for every eight (8) pre-consolidation Common Shares.

"**ABCA**" means the *Business Corporations Act* (Alberta).

"**AIF**" means the annual information form of the Corporation dated April 27, 2023, for the year ended December 31, 2022.

"**Annual Financial Statements**" means the audited consolidated financial statements of the Corporation as at and for the year ended December 31, 2022, together with the notes thereto and the auditors' report thereon.

"**Annual MD&A**" means the management's discussion and analysis of the financial condition and operating results of the Corporation for the year ended December 31, 2022.

"**Board**" means the board of directors of the Corporation as it may be comprised from time to time.

"**Business Combination**" has the meaning ascribed thereto under the heading "*The Corporation*".

"**CDS**" means CDS Clearing and Depository Services Inc.

"**Closing**" means the closing of the Offering.

"**Closing Date**" means the date of Closing which is expected to be on or before October 16, 2023, or on such later date as the Corporation and the Lead Underwriter, on its own behalf and on behalf of the other Underwriters, may agree upon in writing, acting reasonably, but, in any event, such date shall be no later than 42 days after the receipt for the final short form prospectus.

"**COGEH**" means the most recent publication of the Canadian Oil and Gas Evaluations Handbook.

"**Common Shares**" has the meaning ascribed thereto on the cover page of this short form prospectus.

"**Corporation**" or "**Lycos**" has the meaning ascribed thereto on the cover page of this short form prospectus.

"**Credit Agreement**" means the offering letter dated January 16, 2023 between the Corporation and the National Bank of Canada providing for an uncommitted demand revolving credit facility of up to \$20.0 million, as amended by an amending agreement dated May 24, 2023, increasing the revolving credit facility from \$20.0 million to \$35.0 million, and as further amended by a second amending agreement dated August 24, 2023.

"**Credit Facility**" means the credit facility available to the Corporation pursuant to the Credit Agreement.

"**DCEL**" means Durham Creek Exploration Ltd., a corporation formed pursuant to the laws of the Province of Alberta.

"**DCEL Acquisition**" means the Corporation's proposed acquisition of all of the issued and outstanding shares of DCEL by way of a plan of arrangement, as further described under "*Recent Developments – The DCEL Acquisition*".

"**DCEL Agreement**" means the arrangement agreement dated September 13, 2023, between the Corporation and DCEL providing for the DCEL Acquisition.

"**DCEL Assets**" means the petroleum and natural gas properties, interests, rights and related assets to be acquired by the Corporation pursuant to the DCEL Acquisition.

"**IFRS**" means International Financial Reporting Standards issued by the International Accounting Standards Board for publicly accountable enterprises, or such other generally accepted accounting principles and practices applied in Canada from time to time.

"**Interim Financial Statements**" means the unaudited condensed consolidated interim financial statements of the Corporation as at and for the three and six months ended June 30, 2023, together with the notes thereto.

"**Interim MD&A**" means the management's discussion and analysis of the financial condition and operating results of the Corporation for the three and six months ended June 30, 2023.

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

"**NI 41-101**" means National Instrument 41-101 – *General Prospectus Requirements*.

"**NI 44-101**" means National Instrument 44-101 – *Short Form Prospectus Distributions*.

"**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*.

"**Offered Shares**" has the meaning ascribed thereto on the cover page of this short form prospectus.

"**Offering**" has the meaning ascribed thereto on the cover page of this short form prospectus.

"**Offering Price**" has the meaning ascribed thereto on the cover page of this short form prospectus.

"**Option Plan**" means the Corporation's existing stock option plan, as amended and restated from time to time.

"**Options**" means options to purchase Common Shares granted by the Board in accordance with the Option Plan.

"**Over-Allotment Option**" has the meaning ascribed thereto on the cover page of this short form prospectus.

"**Preferred Shares**" means the preferred shares in the capital of the Corporation.

"**Registered Plans**" has the meaning ascribed thereto under the heading "*Eligibility for Investment*".

"**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, 2022, with a preparation date of March 14, 2023.

"**Rule 144A**" has the meaning ascribed thereto under "*Plan of Distribution*".

"**Sproule**" means Sproule Associates Limited.

"**Tax Act**" means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder.

"**TSXV**" has the meaning ascribed thereto on the cover page of this short form prospectus.

"**Underwriters**" has the meaning ascribed thereto on the cover page of this short form prospectus.

"**Underwriting Agreement**" means the underwriting agreement dated effective September 13, 2023 between the Corporation and the Underwriters.

"**Underwriting Fee**" has the meaning ascribed thereto on the cover page of this short form prospectus.

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

"**Warrants**" means Common Share purchase warrants of the Corporation issued in connection with the Business Combination, each Warrant entitling the holder thereof to purchase one (1) Common Share at a price of \$2.24 any time prior to December 12, 2027.

"**Wyatt**" means Wyatt Resources Ltd.

"**Wyatt Acquisition**" means the acquisition of all of the issued and outstanding common shares of Wyatt by the Corporation pursuant to the terms of the Wyatt Agreement completed on September 1, 2023.

"**Wyatt Agreement**" means the pre-acquisition agreement dated August 24, 2023 between the Corporation and Wyatt in respect of the Wyatt Acquisition.

"**Wyatt Assets**" means the petroleum and natural gas properties, interests, rights and related assets acquired by the Corporation pursuant to the Wyatt Acquisition.

Words importing the singular number include the plural, and vice versa, and words importing any gender include all genders.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference into this short form prospectus, constitute forward-looking statements. All forward-looking statements are based on the Corporation's belief and assumptions based on information available at the time the assumption was made. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. By their nature, such forward-looking statements 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. The Corporation 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 forward-looking statements included in, or incorporated by reference into, this short form prospectus should not be unduly relied upon.

The report of KPMG incorporated by reference in this short form prospectus refers exclusively to the historical financial statements described therein and does not extend to the prospective financial information included in this short form prospectus and should not be read to do so.

In particular, this short form prospectus and the documents incorporated by reference herein contain forward-looking statements pertaining to, but not limited to, the following:

- the Offering, including the use of proceeds from the Offering;

- the listing of the Offered Shares pursuant to the Offering, including any Offered Shares issuable pursuant to the exercise of the Over-Allotment Option;
- the completion of the Offering and the DCEL Acquisition and the timing thereof;
- the anticipated Closing Date;
- the anticipated benefits of the DCEL Acquisition, including the impact of the DCEL Acquisition on the Corporation's operations, reserves, inventory and opportunities, financial condition, access to capital and overall strategy;
- expectations with respect to production, capital expenditures and adjusted working capital (net debt) relating to the DCEL Assets and the Corporation following the DCEL Acquisition;
- payout periods and NPV-10% of the Corporation's Tier 1 and Tier 2 Mannville inventory;
- development and drilling plans for the DCEL Assets, including the drilling locations associated therewith and timing of results therefrom;
- capacity of infrastructure;
- anticipated operational results for the remainder of 2023 including, but not limited to, estimated or anticipated production levels, adjusted working capital (net debt), capital expenditures, drilling plans and other information discussed under "*Recent Developments*" in this short form prospectus;
- the Corporation's capital program, guidance and budget for the remainder of 2023;
- expectations regarding commodity prices in 2023;
- the ability of the Corporation to achieve drilling success consistent with management's expectations;
- the performance characteristics of the Corporation's oil and natural gas properties, the DCEL Assets;
- the estimated quantity of the Corporation's oil and natural gas reserves and anticipated future cash flows from such reserves;
- the estimated quantity of the oil and gas reserves associated with the DCEL Assets and anticipated future cash flows from such reserves;
- the anticipated increase to the Credit Facility in connection with the DCEL Acquisition;
- the source of funding for the Corporation's activities including development costs;
- projections of commodity prices and costs;
- supply and demand for oil and natural gas;
- expectations regarding the Corporation's ability to raise capital and to continually add to reserves through acquisitions and development;
- treatment under governmental regulatory regimes and tax laws;
- expected production rates;
- exchange and inflation rates, their impact on the Corporation's costs, and the resilience of the Corporation's results thereto;
- fluctuations in depletion, depreciation, and accretion rates;
- possible changes in regulatory regimes in respect of royalty curves and regulatory improvements and the effects of such changes; and
- the Corporation's business and acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the material risk factors set forth below, elsewhere in this short form prospectus and in the documents incorporated by reference herein:

- the conditions to the completion of the Offering may not be satisfied, including the inability to complete the DCEL Acquisition;
- the use of proceeds of the Offering by the Corporation may change if the Board determines that it would be in the best interests of the Corporation to deploy the proceeds for some other purpose;
- failure to realize the anticipated benefits of the DCEL Acquisition;
- unforeseen difficulties in integrating the DCEL Assets into the Corporation's operations;
- volatility in market prices for oil and natural gas;
- operational risks and liabilities inherent in oil and natural gas operations;

- uncertainties associated with estimating oil and natural gas reserves;
- changes in royalty regimes;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs (including the DCEL Acquisition);
- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- adverse effects on general economic conditions in Canada, the United States and globally;
- the accuracy of oil and gas reserves estimates and estimated production levels as they are affected by exploration and development drilling and estimated decline rates;
- the uncertainties in regard to the timing of the Corporation's exploration and development program;
- fluctuations in the costs of borrowing;
- political or economic developments;
- public health crises, including the outbreak of epidemics or pandemics (such as COVID-19);
- ability to obtain regulatory approvals;
- the results of litigation or regulatory proceedings that may be brought against the Corporation;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; and
- the other factors discussed under "*Risk Factors*" herein and in the AIF, Annual MD&A and Interim MD&A.

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

With respect to forward-looking statements contained in this short form prospectus, the Corporation has made assumptions regarding, among other things: the successful completion of the Offering on the terms and at the time expected; the timing of obtaining regulatory and third party approvals and completion of the Offering and the DCEL Acquisition, including TSXV approval; that commodity prices will be consistent with the current forecasts of its engineers; operating netbacks; average production rates; costs to drill, complete and tie-in wells; ultimate recovery of reserves; royalty regimes will not be subject to material modification; that the Corporation will be able to obtain skilled labour and other industry services at reasonable rates; that the timing and amount of capital expenditures and the benefits therefrom will be consistent with the Corporation's expectations; the ability of the Corporation to achieve drilling success consistent with management's expectations; the impact of increasing competition; that the conditions in general economic and financial markets will not vary materially; that the Corporation will be able to access capital, including debt, on acceptable terms; that drilling, completion and other equipment will be available on acceptable terms; that government regulations and laws will not change materially; that royalty rates will not change in any material respect; that future operating costs will be consistent with the Corporation's expectations; and the Corporation's business and acquisition strategy, the criteria in connection therewith and the benefits to be derived therefrom.

This short form prospectus contains future-oriented financial information and financial outlook information (collectively, "**FOFI**") about the Corporation's prospective results of operations, capital spending, operating costs, capital expenditures, adjusted working capital (net debt), and components thereof, including pro forma the Offering and the DCEL Acquisition, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this short form prospectus was made as of the date of this short form prospectus and was provided for the purpose of describing the anticipated effects of the Offering and the DCEL Acquisition on the Corporation's business operations. The Corporation disclaims any intention or obligation to update or revise any FOFI contained in this short form prospectus, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this short form prospectus should not be used for purposes other than for which it is disclosed herein. See "*Risk Factors*".

The Corporation has included the above summary of assumptions and risks related to forward-looking statements provided in this short form prospectus in order to provide investors with a more complete perspective on the Corporation's current and future operations and such information may not be appropriate for other purposes. Forward-looking statements contained in certain documents incorporated by reference into this short form prospectus are based on the key assumptions and are subject to the risks described herein and in the documents incorporated by reference herein. The reader is cautioned that such assumptions, although considered reasonable by the Corporation at the time of preparation, may prove to be incorrect.

Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this short form prospectus, and the documents incorporated by reference herein, are expressly qualified by this cautionary statement. These forward-looking statements contained in this short form prospectus are made as of the date of this short form prospectus, or in the case of the documents incorporated by reference herein, as of the dates of such documents, and except as required by applicable securities laws, neither Lycos nor any of the Underwriters undertake any obligation to publicly update or revise any forward-looking statements. Readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this short form prospectus.

CONVENTIONS

Certain terms used herein are defined in the "*Selected Definitions*". Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101. References to "oil" in this short form prospectus include heavy crude oil and condensate. NI 51-101 includes condensate within the product type of "natural gas liquids". References to "natural gas liquids" or "NGLs" include pentane, butane, propane, and ethane. References to "gas" or "natural gas" relates to conventional natural gas.

ABBREVIATIONS

In this prospectus, including the documents incorporated by reference herein, the abbreviations set forth below have the following meanings:

bbl	Barrel	mcf/d	thousand cubic feet per day
mbbl	thousand barrels	mmbtu	million British Thermal Units
bbl/d	barrels per day	NPV-10%	Net present value with a discount rate of 10%
boe	barrel of oil equivalent	US\$	United States Dollar
boe/d	barrels of oil equivalent per day	WTI	West Texas Intermediate
mboe	thousand barrel of oil equivalent	WCS	Western Canadian Select
mcf	thousand cubic feet		

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
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405

To Convert From	To	Multiply By
Hectares	Acres	2.471
Gigajoules	mmbtu	0.949
mmbtu	Gigajoules	1.055

NOTE ON COMMON SHARE CONSOLIDATIONS

On December 12, 2022, the Corporation effected the 2022 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.

On August 24, 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.

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 date have been restated to reflect both 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.

NON-IFRS MEASURES, NON-IFRS FINANCIAL RATIOS AND CAPITAL MANAGEMENT MEASURES

This prospectus, including the documents incorporated by reference herein, 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 document, and in certain of the documents incorporated by reference herein, 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 Annual MD&A and the Interim MD&A, as available on the Corporation's SEDAR+ profile at www.sedarplus.ca.

"**Capital expenditures**" is a capital management measure used by management 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. A summary of the reconciliation of cash flow used in investing activities to capital expenditures is set forth below:

	Year ended December 31,	
	2022	2021
Net cash used in investing activities	8,280	1,719
Change in non-cash working capital	1,495	(32)
Capital Expenditures	9,775	1,687

"**Adjusted Working Capital (Net Debt)**" is calculated as current assets less current liabilities, excluding the current portion of decommissioning liabilities and financial derivative receivable. Adjusted working capital (net debt) is a capital management measure which management uses to assess the Corporation's liquidity. Please see below for the reconciliation illustrating how management calculates adjusted working capital.

	Year ended December 31,	
	2022	2021
Working capital	55,835	(1,222)
Current portion of decommissioning liabilities	1,000	--
Adjusted working capital (net debt)	56,835	(1,222)

"Payout" is a capital management measure calculated by management as the anticipated time of production required from a location to fully pay for the drilling, completion, equipping and tie-in of such location. Management uses payout as a measure of well performance and capital efficiency.

BARREL OF OIL EQUIVALENCY

The term "boe" means a barrel of oil equivalent on the basis of 6 mcf of natural gas to 1 bbl of oil. The term boe may be misleading, particularly if used in isolation. **A boe conversation ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 mcf: 1bbl, utilizing a conversion ratio at 6 mcf: 1 bbl may be misleading as an indication of value.**

DRILLING LOCATIONS

This short form prospectus discloses drilling locations in two categories: (a) booked locations; and (b) unbooked locations. Booked locations referenced herein relate solely to the assets acquired pursuant to the Wyatt Acquisition, are derived from the report prepared in accordance with NI 51-101 and COGEH by Sproule, evaluating the crude oil, natural gas and natural gas liquids reserves of Wyatt effective March 31, 2023, and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations referenced herein relate solely to the DCEL Assets, and are internal estimates based on the Corporation's assumptions as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Unbooked locations have been identified by management as an estimation of Corporation's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Corporation will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations considered for future development will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by the drilling of an existing well by DCEL in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from the existing well where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in certain of the provinces of Canada. Copies of the documents incorporated by reference herein may be obtained on request without charge from the Chief Financial Officer of the Corporation at Suite 1900, 215 – 2nd Street S.W., Calgary, Alberta T2P 1M4, telephone (403) 453-1950. These documents are also available through the internet on SEDAR+, which can be accessed at www.sedarplus.ca.

The following documents, filed with the securities commissions or similar authorities in certain of the provinces of Canada, are specifically incorporated by reference in, and form an integral part of, this short form prospectus, provided that such documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement contained in this short form prospectus or in any other subsequently filed document that is also incorporated by reference in this short form prospectus:

1. the AIF;
2. the Annual Financial Statements;
3. the Annual MD&A;

4. the Interim Financial Statements;
5. the Interim MD&A;
6. the management information circular of the Corporation dated May 1, 2023, with respect to the annual general and special meeting of the shareholders of the Corporation held on June 14, 2023;
7. the material change report of the Corporation dated March 9, 2023 in respect of the Corporation's acquisition on February 28, 2023 of its former joint venture partner's equity interest in assets located in the Lloydminster area of Alberta for consideration equal to \$50.0 million in cash and a 3% gross overriding royalty to its former joint venture partner on any newly drilled wells on the acquired lands;
8. the material change report of the Corporation dated March 9, 2023, as amended on April 11, 2023, in respect of the Business Combination and the 2022 Consolidation;
9. the material change report of the Corporation dated September 5, 2023, in respect of the completion of the Wyatt Acquisition and the 2023 Consolidation;
10. the "template version" (as such term is defined in NI 41-101) of the term sheet for the Offering dated and filed on SEDAR+ on September 13, 2023;
11. the "template version" (as such term is defined in NI 41-101) of the term sheet for the upsized Offering dated and filed on SEDAR+ on September 14, 2023; and
12. the material change report of the Corporation dated September 19, 2023, in respect of the execution of the DCEL Agreement, the Offering and the upsize to the Offering.

Any documents of the type required by NI 44-101 to be incorporated by reference in a short form prospectus including any material change reports (excluding material change reports filed on a confidential basis), comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms, marketing materials (as such term is defined in NI 41-101) and business acquisition reports filed by the Corporation with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this short form prospectus and prior to the termination of this Offering are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are defined in NI 41-101) that are utilized by the Underwriters in connection with the Offering are not part of this short form prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of any marketing materials that has been, or will be, filed on SEDAR+ before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated into this short form prospectus.

THE CORPORATION

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**") with Chronos Resources Ltd., pursuant to which, among other things, the Corporation: (a) appointed a new management team; (b) appointed a new board of directors; (c) underwent a name change from "Samoth Oilfield Inc." to "Lycos Energy Inc."; and (d) effected the 2022 Consolidation.

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.

The Corporation does not have any subsidiaries as of the date hereof.

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 regions of Saskatchewan and Alberta and Gull Lake, Saskatchewan. For further information on the Corporation and its business activities, see the AIF which is incorporated by reference herein.

RECENT DEVELOPMENTS

Recent Developments of the Corporation

The 2023 Consolidation

On August 24, 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 post-consolidation Common Shares commenced trading on the facilities of the TSXV at market open on September 1, 2023. The Board implemented the 2023 Consolidation to promote increased liquidity and reduce volatility in the trading of the Common Shares.

The Wyatt Acquisition

Overview

Pursuant to the Wyatt Agreement, the Corporation acquired all of the issued and outstanding common shares of Wyatt on September 1, 2023, by way of an exempt take-over bid for total consideration of approximately \$8.8 million, consisting of approximately \$6.5 million in cash (subject to post-closing adjustments) and \$2.3 million in Common Shares. The equity consideration consisted of 635,640 Common Shares at a deemed issuance price of approximately \$3.62 per Common Share. These Common Shares are subject to a four-month hold period from the date of issuance. The cash consideration was funded by availments under the Credit Facility and cash on hand.

Wyatt was a privately held, heavy oil producer with operations in the Lloydminster and Greater Lloydminster area of Alberta. The completion of the Wyatt Acquisition adds approximately 400 boe/d (99% crude oil) and 12,335 net acres of land, bringing Lycos' corporate production following closing of the Wyatt Acquisition to approximately 3,700 boe/d (99% crude oil). The Wyatt Acquisition was not a significant acquisition for the purposes of Part 8 of NI 51-102.

Strategic Rationale for the Wyatt Acquisition

The Wyatt Acquisition provides the Corporation with numerous locations within Lycos' current operations in the Lloydminster and Greater Lloydminster area of Alberta. Key characteristics from the Wyatt Acquisition, which was completed on September 1, 2023, are as follows:

Total consideration	\$8.8 million
Current production	400 boe/d
Land	12,335 net acres
Net drilling locations	> 20 net locations
Reserves	
Proved reserves	757 mboe
Proved plus probable reserves	1,030 mboe
Before tax, net present value (discounted at 10%)(¹)	
Proved reserves	\$ 13,980 million
Proved plus probable reserves	\$ 19,450 million

Note:

(1) The before tax, net present value (discounted at 10%) values presented above in relation to the Wyatt Assets was prepared by Sproule for Wyatt effective March 31, 2023. The evaluation of Wyatt's properties was prepared in accordance with the definitions, standards and procedures contained in NI 51-101 and COGEH and is based on Sproule's published price forecast as of March 31, 2023. Future development costs totaled \$5.3 million in the total proved category and \$5.9 million in the total proved plus probable.

The DCEL Acquisition

Overview

On September 13, 2023, the Corporation entered into the DCEL Agreement with DCEL pursuant to which the Corporation agreed to acquire all of the issued and outstanding common shares of DCEL by way of plan of arrangement for aggregate consideration (subject to adjustment) of \$22.5 million, consisting of \$12.5 million in cash proceeds and \$10.0 million of equity comprised of approximately 2.8 million Common Shares at a deemed issuance price of \$3.55 per Common Share.

As of the date hereof, shareholders of DCEL representing approximately 94.6% of the outstanding common shares of DCEL have executed written resolutions irrevocably approving the DCEL Acquisition. The DCEL Agreement provides for, among other things, a non-solicitation covenant on the part of DCEL. All of the Common Shares issued to the insiders of DCEL, who will hold approximately 81% of the Common Shares to be issued pursuant to the DCEL Acquisition, will be subject to hold periods and released as to one third on each of the dates that is three, six and nine months following the closing of the DCEL Acquisition.

The DCEL Acquisition is expected to close on or before October 16, 2023, subject to the completion of the Offering and certain customary conditions and approvals, including the approval of the Court of King's Bench of Alberta and the TSXV. The DCEL Acquisition is not a significant acquisition for the purposes of Part 8 of NI 51-102.

A copy of the DCEL Agreement has been filed on SEDAR and may be viewed under the Corporation's SEDAR+ profile at www.sedarplus.ca.

Strategic Rationale for the DCEL Acquisition

The DCEL Acquisition will add 35,382 net acres (55.93 net sections) of land suitable for multi-lateral development proximally located to the Corporation's existing assets in the Lloydminster and Greater Lloydminster area and the assets acquired in the recent acquisition of Wyatt, which, together with the Wyatt Acquisition, increases Lycos' land holdings by 31% to 147,956 net acres.

The Corporation has identified over 70 net Mannville heavy oil multi-lateral drilling locations on lands being acquired pursuant to the DCEL Acquisition, increasing Lycos' development portfolio to 210 locations. The DCEL Acquisition increases the Corporation's Tier 1 Mannville inventory (Rex, Waseca, GP and Cummings) by 77% to 55 total net locations as well as its Tier 2 Mannville inventory (Rex, Waseca, GP and Cummings) by 49% to 140.6 total net locations. Tier 1 locations have an expected payout period of less than 6 months and an NPV-10% of \$5.5 million, and Tier 2 locations have an expected payout period of under 12 months and an NPV-10% of \$3.4 million⁽¹⁾. See "*Drilling Locations*".

Lycos plans to apply principles consistent with its current operations to improve efficiencies, reduce operating costs and enhance margins within the DCEL Assets. The Corporation will use its fishbone well designs and redesigned drilling fluid system to develop the inventory being acquired pursuant to the DCEL Acquisition, which it believes will materially enhance results.

As of the Closing Date, the DCEL Assets are expected to produce an average of approximately 180 boe/d (99% crude oil) of heavy oil production all from a single existing multi-lateral well drilled at Lindbergh.

Note:

(1) Payout and NPV-10% assumptions are based on pricing assumptions of: US\$75/bbl WTI; (US\$15) WCS differential; and \$0.741 CAD/USD, operating expenses of \$15.48/boe, royalty rate of 11.4% and capital expenditures of \$1.6 million.

Pro Forma Corporate Guidance for 2023

- Pro-forma the DCEL Acquisition, Lycos is expected to increase its 2023 capital spending program to \$57 million from \$47 million with the drilling of an additional 2 to 3 wells targeting DCEL's acreage in the fourth quarter of 2023.
- 2023 production guidance remains unchanged with additional drilling not expected to have a material impact on the Corporation's 2023 average production.
- Despite the additional spending, Lycos is expected to have positive adjusted working capital at year-end 2023 and \$35 million available under its existing credit facilities.⁽¹⁾

Note:

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

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 40,404,140 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.

CONSOLIDATED CAPITALIZATION

The following table sets forth the unaudited consolidated capitalization of the Corporation as at and for the three months ended June 30, 2023 before and after giving effect to the Wyatt Acquisition, the Offering and the DCEL Acquisition. This table should be read in conjunction with the Corporation's Interim Financial Statements and Annual Financial Statements.

	As at June 30, 2023 before giving effect to the Offering, the Wyatt Acquisition or the DCEL Acquisition	As at June 30, 2023 after giving effect to the Wyatt Acquisition (before giving effect to the Offering or the DCEL Acquisition) ⁽¹⁾	As at June 30, 2023 after giving effect to the Wyatt Acquisition and the Offering (before giving effect to the DCEL Acquisition) ⁽¹⁾⁽²⁾	As at June 30, 2023 after giving effect to the Offering, the Wyatt Acquisition and the DCEL Acquisition ⁽¹⁾⁽³⁾⁽⁴⁾
Indebtedness				
Credit Facility ⁽⁵⁾	\$ Nil	\$ 6.5 million	\$ Nil	\$ Nil
Share Capital				
Common Shares (Unlimited)	\$ 177.0 million 39,768,500	\$ 179.3 million 40,404,140	\$ 207.8 million 48,978,140	\$ 217.8 million 51,795,041
Preferred Shares (Unlimited)	Nil	Nil	Nil	Nil

Notes:

- (1) On September 1, 2023, the Corporation closed the Wyatt Acquisition for aggregate consideration of \$6.5 million in cash and 635,640 Common Shares.
- (2) Without giving effect to the exercise of the Over-Allotment Option, based on the issuance of 8,574,000 Offered Shares in connection with the Offering for aggregate gross proceeds of \$30,437,700.00, less the Underwriting Fee of \$1,521,885.00 and the estimated expenses of the Offering of \$450,000.00 (exclusive of GST), for net proceeds to the Corporation of approximately \$28,465,815.00. If the Over-Allotment Option is exercised in full, the Corporation would have 50,264,240 Common Shares outstanding based on the issuance of 9,860,100 Offered Shares pursuant to the Offering and the exercise of the Over-Allotment Option, for aggregate gross proceeds of \$35,003,355.00 less the aggregate Underwriting Fee of \$1,750,167.75 and the estimated expenses of the Offering of \$450,000.00 (exclusive of GST), for net proceeds to the Corporation of \$32,803,187.25. Closing is conditional on all conditions to be satisfied, completed or otherwise met prior to the completion of the DCEL Acquisition having been satisfied, completed or otherwise met, but for the payment of the cash consideration payable by the Corporation under the DCEL Agreement. The Corporation's indebtedness in this column has been reduced to "Nil" as Lycos intends to use the net proceeds of the Offering to fund the cash portion of the purchase price in respect of the DCEL Acquisition, and expects to use the balance of the net proceeds of the Offering to initially reduce indebtedness incurred under the Credit Facilities and, to the extent remaining, to fund the Corporation's drilling and capital spending program, for future acquisitions and for general working capital purposes. For more details, please see "Recent Developments – The DCEL Acquisition", "Use of Proceeds" and "Risk Factors". This indebtedness figure does not account for the Corporation's indebtedness as of today – please see Note 5 below for more information.
- (3) Without giving effect to the exercise of the Over-Allotment Option, based on the issuance of: (a) 8,574,000 Offered Shares in connection with the Offering for aggregate gross proceeds of \$30,437,700.00, less the Underwriting Fee of \$1,521,885.00 and the estimated expenses of the Offering of \$450,000.00 (exclusive of GST), for net proceeds to the Corporation of approximately \$28,465,815.00; and (b) 2,816,901 Common Shares in connection with the DCEL Acquisition at a deemed issuance price of \$3.55 per Common Share. If the Over-Allotment Option is exercised in full, the Corporation would have 53,081,141 Common Shares outstanding based on the issuance of: (a) 9,860,100 Offered Shares in connection with the Offering and the exercise of the Over-Allotment Option, for aggregate gross proceeds of \$35,003,355.00 less the aggregate Underwriting Fee of \$1,750,167.75 and the estimated expenses of the Offering of \$450,000.00 (exclusive of GST), for net proceeds to the Corporation of \$32,803,187.25; and (b) 2,816,901 Common Shares in connection with the DCEL Acquisition at a deemed issuance price of \$3.55 per Common Share. The Corporation's indebtedness in this column has been reduced to "Nil" as Lycos intends to use the net proceeds of the Offering to fund the cash portion of the purchase price in respect of the DCEL Acquisition, and expects to use the balance of the net proceeds of the Offering to initially reduce indebtedness incurred under the Credit Facilities and, to the extent remaining, to fund the Corporation's drilling and capital spending program, for future acquisitions and for general working capital purposes. For more details, please see "Recent Developments – The DCEL Acquisition", "Use of Proceeds" and "Risk Factors". This indebtedness figure does not account for the Corporation's indebtedness as of today – please see Note 5 below for more information.
- (4) Assumes the DCEL Acquisition will be completed for total consideration (prior to adjustment) of \$22.5 million, such purchase price consideration consisting of \$12.5 million in cash and \$10.0 million of equity comprised of 2,816,901 Common Shares at a deemed issuance price of \$3.55 per Common Share. Please note that the figure presented above does not include estimated fees and expenses associated with the DCEL Acquisition of approximately \$500,000 nor does it include any adjustment to the purchase price (which may be significant). See "Recent developments – DCEL Acquisition" for further information on the DCEL Acquisition.
- (5) The Credit Facility provides for a borrowing base of up to \$35.0 million pursuant to the terms of the Credit Agreement. As at June 30, 2023, the Corporation had no amounts owing on the Credit Facility. As of the date hereof, the Corporation has drawn \$15.4 million on the Credit Facility, \$6.5 million of which was incurred in connection with the Wyatt Acquisition (See "Recent Developments – The Wyatt Acquisition").

Acquisition"). The Credit Facility is secured by a demand debenture in the amount of \$100.0 million. The Corporation is subject to a financial covenant whereby Lycos' ratio of adjusted working capital, including any undrawn availability under the revolving facility as a current asset, shall not be less than 1.00:1.00. Subsequent Closing and the DCEL Acquisition, the Corporation intends to use the net proceeds of the Offering that are in excess of the cash portion of the purchase price for the DCEL acquisition to reduce indebtedness under its Credit Facilities and, to the extent remaining, to fund the Corporation's drilling and capital spending program, for future acquisitions and for general working capital purposes. The amount by which the net proceeds of the Offering will exceed the cash portion of the purchase price for the DCEL Acquisition is unknown at this time as it is subject to adjustment (which may be significant). Repayments of principal are not required until the lender demands, provided that the borrowings do not exceed the authorized credit facility and the Corporation is in compliance with all covenants, representations and warranties. See "Use of Proceeds", "Risk Factors" and "Relationship Between the Corporation and Certain Underwriters".

PRICE RANGE AND TRADING VOLUME OF THE COMMON SHARES

The outstanding Common Shares are listed and traded on the TSXV under the trading symbol "LCX". The following table sets forth the price range and trading volume of the Common Shares as reported by the TSXV for the periods indicated.

Period	High (\$)	Low (\$)	Volume
September 1 – 18	\$4.15	\$3.60	885,150
August 2023	\$3.88	\$3.28	1,457,530
July 2023	\$3.64	\$3.12	693,219
June 2023	\$3.56	\$3.04	1,191,373
May 2023	\$3.84	\$3.36	310,019
April 2023	\$4.32	\$3.60	468,009
March 2023	\$4.24	\$3.20	858,655
February 2023	\$4.40	\$3.76	468,432
January 2023	\$4.88	\$4.16	841,657
December 2022	\$7.20	\$3.20	860,146
November 2022	\$17.28	\$5.12	81,479
October 2022	\$2.56	\$2.56	8
September 2022	\$2.56	\$1.92	379
August 2022	\$3.20	\$3.20	125

On September 12, 2023 and September 18, 2023, the last trading days prior to the public announcement of the Offering and the date of this short form prospectus, respectively, the closing price of the Common Shares on the TSXV was \$3.75 and \$3.72, respectively.

PRIOR SALES

The following table summarizes the issuances of Common Shares and securities convertible into Common Shares within the 12-month period prior to the date of this short form prospectus.

Date of Issuance	Class of Securities	Number of Securities Issued	Issue / Exercise Price
September 1, 2023	Common Shares	635,640 ⁽¹⁾	\$3.62
August 24, 2023	Options	51,250 ⁽²⁾	\$3.60
May 15, 2023	Options	142,500 ⁽³⁾	\$3.60
January 25, 2023	Options	1,991,875 ⁽⁴⁾	\$4.40
December 12, 2022	Warrants	5,706,262 ⁽⁵⁾⁽⁶⁾	\$2.24

Notes:

- (1) On September 1, 2023, the Corporation issued 635,640 Common Shares to the shareholders of Wyatt in connection with the Wyatt Acquisition. These Common Shares are subject to a four-month hold period from the date of issuance.
- (2) On August 24, 2023, the Corporation granted 51,250 Options to certain employees and a newly appointed director. Options expire five years from the date of grant and are exercisable at a price of \$3.60 per Common Share. The Options vest as to one-third on the first, second and third anniversary of the grant date.

- (3) On May 15, 2023, the Corporation granted 142,500 Options to certain employees. The Options expire five years from the date of grant and are exercisable at a price of \$3.60 per Common Share. The Options vest as to one-third on the first, second and third anniversary of the grant date.
- (4) On January 25, 2023, the Corporation granted 1,991,875 Options to certain employees, directors and officers, of which 51,250 have been cancelled in accordance with the terms of the Option Plan. The Options expire five years from the date of grant and are exercisable at a price of \$4.40 per Common Share. The Options vest as to one-third on the first, second and third anniversary of the grant date.
- (5) On December 12, 2022, in connection with the closing of the Business Combination, the Corporation issued 5,357,154 Warrants in exchange for warrants of Chronos Resources Ltd. issued pursuant to a private placement financing.
- (6) On December 12, 2022, in connection with the closing of the Business Combination, the Corporation issued 349,108 Warrants to certain advisors to the Business Combination as compensation securities.

USE OF PROCEEDS

The following table sets forth the principal purposes for which Lycos proposes to use the total funds available to the Corporation upon completion of the Offering:

	Amount	Total
Gross proceeds raised pursuant to the Offering ⁽¹⁾	\$ 30,437,700.00	
Underwriting Fee ⁽²⁾	\$ (1,521,885.00)	
Expenses and costs relating to the Offering ⁽³⁾	\$ (450,000.00)	
Total estimated net proceeds		\$ 28,465,815.00
Cash portion of purchase price of DCEL Acquisition ⁽⁴⁾⁽⁵⁾	\$ (12,500,000.00)	
Total estimated proceeds remaining		\$ 15,965,815.00

Notes:

- (1) Assumes the Over-Allotment Option is not exercised.
- (2) For the purposes of this short form prospectus, the Underwriting Fee has been calculated on the basis of 5.0% for all sales.
- (3) This amount is presented exclusive of GST, which will be paid out of the Corporation's general funds.
- (4) Does not include expenses or costs related to the DCEL Acquisition nor does it assume any adjustment to the purchase price (which may be significant).
- (5) Lycos intends to use the net proceeds of the Offering to fund the cash portion of the purchase price in respect of the DCEL Acquisition, and expects to use the balance of the net proceeds of the Offering to initially reduce indebtedness incurred under the Credit Facilities and, to the extent remaining, to fund the Corporation's drilling and capital spending program, for future acquisitions and for general working capital purposes.

Closing is conditional on all conditions to be satisfied, completed or otherwise met prior to the completion of the DCEL Acquisition (in accordance with the DCEL Agreement and without waiver or material amendment of the terms and conditions thereof (which shall include any extension of the outside date therein beyond October 16, 2023), in whole or in part, by any of the parties thereto (unless the consent of the Lead Underwriter, on behalf of the Underwriters, has been given for such waiver or amendment, such consent not to be unreasonably withheld or delayed) having been satisfied, completed or otherwise met, but for the payment of the cash consideration payable by the Corporation under the DCEL Agreement).

The foregoing is based on the issuance of 8,574,000 Offered Shares pursuant to the Offering for aggregate gross proceeds of \$30,437,700.00, less the Underwriting Fee of \$1,521,885.00 and the estimated expenses and costs of the Offering of \$450,000.00 (exclusive of GST), resulting in net proceeds to the Corporation from the sale of the Offered Shares issuable hereunder of \$28,465,815.00. If the Over-Allotment Option is exercised in full, based on the issuance of 9,860,100 Offered Shares pursuant to the Offering for aggregate gross proceeds of \$35,003,355.00, less the Underwriting Fee of \$1,750,167.75 and the estimated expenses and costs of the Offering of \$450,000.00 (exclusive of GST), the net proceeds to the Corporation from the sale of the Common Shares issuable hereunder, including pursuant to the Over-Allotment Option, will be \$32,803,187.25. See "*Plan of Distribution*".

The additional balance sheet strength provided by the Offering will allow the Corporation to pursue possible acquisition opportunities that may arise in the coming year. The use of net proceeds of the Offering by the Corporation is consistent with the Corporation's stated business objective and strategic goals of the exploration for and development and acquisition of oil and natural gas reserves. Other than the successful completion of the

Offering and the DCEL Acquisition, the success of the Corporation in meeting its business objectives will be dependent in part on the success of its drilling program and the availability of other accretive opportunities, which cannot be determined in advance. Upon completion of the Offering and the DCEL Acquisition, the Corporation believes it will be better positioned to further its business objectives of exploring for and developing oil and gas assets. There is no particular significant event or milestone that must occur for Lycos' business objectives to be accomplished.

Due to the nature of the oil and natural gas industry, budgets are regularly reviewed in light of the success of expenditures and other opportunities which may become available to the Corporation. Potential investors are cautioned that notwithstanding the Corporation's current intentions regarding the use of the net proceeds of the Offering, there may be circumstances where a reallocation of funds may be advisable for reasons that management believes are in the Corporation's best interests. While the Corporation believes that it has the skills and resources necessary to accomplish its stated business objectives and strategic goals, participation in the acquisition of, exploration for and development of oil and natural gas reserves has a number of inherent risks. See "*Risk Factors*" herein and in the AIF and "*Risks and Uncertainties*" in each of the Interim MD&A and the Annual MD&A, which are incorporated by reference herein.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Corporation has agreed to sell, and the Underwriters have severally agreed to purchase on Closing, subject to the terms and conditions therein, an aggregate of 8,574,000 Offered Shares, at a price of \$3.55 per Offered Share, payable in cash to the Corporation against delivery. The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion upon the occurrence of certain stated events as set out in the Underwriting Agreement and described below.

The Underwriting Agreement provides that the Corporation will pay the Underwriters a fee equal to 5.0% of the gross proceeds of the Offering, or \$0.1775 per Offered Share, resulting in net proceeds to the Corporation of \$28,915,815.00 or \$28,465,815.00 after deducting the estimated expenses of the Offering of \$450,000.00 (exclusive of GST). The terms of the Offering, including the Offering Price, were determined by negotiation between the Corporation and the Lead Underwriter, on its own behalf and on behalf of the other Underwriters.

The Corporation has granted to the Underwriters the Over-Allotment Option, exercisable from time to time, in whole or in part, at any time until 30 days following the Closing Date to purchase up to an additional 1,286,100 Offered Shares on the same terms and conditions as the Offering, to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the gross proceeds of the Offering, Underwriting Fee and net proceeds to the Corporation (before deducting expenses of the Offering) will be \$35,003,355.00, \$1,750,167.75 and \$33,253,187.25, respectively. This short form prospectus also qualifies the distribution of the Offered Shares issuable pursuant to the exercise of the Over-Allotment Option. A purchaser who acquires Offered Shares forming part of the Underwriters' over-allocation position acquires those Offered Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The obligations of the Underwriters under the Underwriting Agreement are several, and not joint, nor joint and several, and may be terminated at their discretion upon the occurrence of certain stated events. Such events include, but are not limited to: (i) any order to cease or suspend trading in any securities of the Corporation or prohibiting or restricting the offer or sale of any of the Common Shares is made, or proceedings are announced, commenced for the making of any such order, by any securities commission or similar regulatory authority, any stock exchange or by any other competent authority, and has not been rescinded, revoked or withdrawn; (ii) any inquiry, action, suit, investigation or other proceeding (whether formal or informal) is commenced, announced or threatened or any order or ruling is issued (and has not been rescinded, revoked or withdrawn) under or pursuant to any statute of Canada or any of the provinces of Canada (except for Québec), or of the United States or any state thereof or by any official of any stock exchange or by any regulatory authority or other governmental authority having jurisdiction over the business and affairs of the Corporation, or there is any change in law or the interpretation, pronouncement or administration thereof or in respect thereof, which in the opinion of any of the

Underwriters, acting reasonably, may prevent or operates to prevent or restrict the offer or sale of, trading in, or marketability of, the Common Shares or the trading in any securities of the Corporation; (iii) there should develop, occur or come into effect or existence any event, action or occurrence of national or international consequence, including any act of terrorism or war, or any escalation thereof, or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions or any action, law, regulation, inquiry or other occurrence of any nature which, in the Underwriters' reasonable opinion, materially adversely affects, or may materially adversely affect, the financial markets in Canada or the United States or the business, operations or affairs of the Corporation, or the market price or value of the Common Shares or any other securities of the Corporation; (iv) there shall occur any material change (actual, imminent or reasonably expected), or change in material fact which in the reasonable opinion of the Underwriters (or any of them), acting reasonably, could be expected to have a material adverse effect on the market price or value of the Common Shares or any other securities of the Corporation, or the Underwriters shall become aware of any material information with respect to the Corporation which had not been publicly disclosed or disclosed in writing to the Underwriters at or prior to the date hereof and which in the sole opinion of the Underwriters or any of them, acting reasonably, could be expected to have a material adverse effect on the market price or value of the Common Shares or any other securities of the Corporation; or (v) if the DCEL Agreement is terminated in accordance with its terms or the Corporation advises the Underwriters or formally announces to the public by way of a press release or otherwise that it does not intend to proceed with the DCEL Acquisition.

In certain circumstances, if one or more Underwriters fails or refuses to purchase the Offered Shares which it has agreed to purchase, the other Underwriter(s) may terminate their obligation to purchase their allotment of Offered Shares, or may, but are not obligated to, purchase the Offered Shares not purchased by the Underwriter or Underwriters which fail to purchase the Offered Shares it has agreed to purchase; provided, however, that in the event that the percentage of the total number of Offered Shares which one or more Underwriters has failed or refused to purchase is not more than 7.5% of the total number of the Offered Shares which the Underwriters have agreed to purchase, the other Underwriters shall be obligated severally to purchase on a pro rata basis the Offered Shares which would otherwise have been purchased by the one or more Underwriters which failed or refused to purchase the Offered Shares it has agreed to purchase. The Underwriters are, however, obligated to take up and pay for all Offered Shares if any Offered Shares are purchased under the Underwriting Agreement.

The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their directors, officers, employees, affiliates, partners and agents, shareholders and each other person, if any, controlling an Underwriter, and the successors and assigns of the foregoing person against certain liabilities, damages, costs and expenses.

It is expected that Closing will occur on or before October 16, 2023, or such other date as the Corporation and the Lead Underwriter, on its own behalf and on behalf of the other Underwriters, may agree, but in any event no later than the date that is 42 days after the date of the receipt for the final short form prospectus. The Offered Shares shall be taken up by the Underwriters, if at all, on or before a date not later than 42 days after the date of the receipt for the final short form prospectus.

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail in the open market in accordance with applicable stabilization rules. Such transactions, if commenced, may be discontinued at any time.

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail in the open market in accordance with applicable stabilization rules. Such transactions, if commenced, may be discontinued at any time.

Pursuant to rules and policy statements of certain securities regulators, the Underwriters may not, at any time during the period ending on the date the selling process for the Offered Shares ends and all stabilization arrangements relating to the Offered Shares are terminated, bid for or purchase Common Shares. The foregoing

restrictions are subject to certain exceptions including: (i) a bid for or purchase of Common Shares if the bid or purchase is made through the facilities of the TSXV in accordance with applicable marketplace rules; (ii) a bid or purchase on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the Underwriter, or if the client's order was solicited, the solicitation occurred before the period of distribution as prescribed by the rules; and (iii) a bid or purchase to cover a short position entered into prior to the period of distribution as prescribed by the rules.

The Underwriters propose to offer the Offered Shares initially at the Offering Price specified herein. After reasonable efforts have been made to sell all of the Offered Shares at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Offered Shares remaining unsold. In the event the Offering Price is reduced, the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Offered Shares is less than the gross proceeds paid by the Underwriters to the Corporation for the Offered Shares. Any such reduction will not affect the proceeds received by the Corporation.

The Corporation has applied to list the Offered Shares on the TSXV. Such listing will be subject to the Corporation fulfilling all of the listing requirements of the TSXV.

The Offered Shares offered hereby have not been and will not be registered under the 1933 Act or any state securities laws, and accordingly may not be offered, sold or delivered within the United States (as such term is defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. Except as permitted in the Underwriting Agreement and as expressly permitted by applicable laws of the United States, the Underwriters will not offer, sell or deliver the Offered Shares within the United States. The Underwriting Agreement permits the Underwriters to offer and resell the Offered Shares that they have acquired pursuant to the Underwriting Agreement, through their U.S. broker-dealer affiliates, to "qualified institutional buyers" (as defined in Rule 144A ("**Rule 144A**") under the 1933 Act) in the United States, provided that such offers and sales are made in transactions in accordance with Rule 144A and are exempt from registration under applicable state securities laws. The Underwriting Agreement also provides that the Underwriters will offer and sell the Offered Shares outside the United States only in accordance with Rule 903 of Regulation S under the 1933 Act.

In addition, until 40 days after the commencement of the Offering, any offer or sale of Offered Shares offered within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirement of the 1933 Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirement of the 1933 Act.

RELATIONSHIP BETWEEN THE CORPORATION AND CERTAIN UNDERWRITERS

National Bank Financial Inc. is a direct or indirect wholly-owned subsidiary of National Bank of Canada which is the lender under the Corporation's Credit Facility (see Note 6 to the table under "*Consolidated Capitalization*"). Further, National Bank Financial Inc. acted as an adviser to the Corporation in connection with the DCEL Acquisition and will receive a fee upon the closing of the DCEL Acquisition. Consequently, the Corporation may be considered to be a "connected issuer" of National Bank Financial Inc. within the meaning of applicable Canadian securities legislation.

As at September 18, 2023, the Corporation had approximately \$15.4 million owing under the Credit Facility. The Corporation is in compliance with all terms of the Credit Facility and its lender has not waived any breach by the Corporation of any agreements relating thereto. The Credit Facility is secured by a demand debenture in the amount of \$100.0 million. See "*Consolidated Capitalization*".

The decision to distribute the Offered Shares hereunder and the determination of the terms of the Offering were made through negotiations between the Corporation and the Lead Underwriter, on its own behalf and on behalf of the other Underwriters. The Corporation's lender under its Credit Facility, although affiliated with National Bank Financial Inc., did not have any involvement in such decision or determination, but has been advised of the

issuance and the terms hereof. As a consequence of this issuance, National Bank Financial Inc. will receive its respective share of the Underwriting Fee. See "*Plan of Distribution*".

ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Elliott LLP, counsel to the Corporation and Burnet, Duckworth & Palmer LLP, counsel to the Underwriters, based on the provisions of the Tax Act in force on the date hereof, the Offered Shares would be "qualified investments", if issued on the date hereof, at the time of acquisition by a "registered retirement savings plan", "registered retirement income fund", "registered education savings plan", "registered disability savings plan", "tax-free savings account", "first home savings account" (collectively, "**Registered Plans**"), or a "deferred profit sharing plan" (each as defined in the Tax Act) provided that the Offered Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the TSXV).

Notwithstanding that the Offered Shares may be qualified investments for a Registered Plan, if the Offered Shares are a "prohibited investment" within the meaning of the Tax Act for a Registered Plan, the holder, annuitant or subscriber of the Registered Plan, as the case may be, (the "**Controlling Individual**") will be subject to a penalty tax as set out in the Tax Act. The Offered Shares generally will not be a "prohibited investment" for a Registered Plan if the Controlling Individual of the Registered Plan (a) deals at arm's length with the Corporation for purposes of the Tax Act, and (b) does not have a "significant interest" (as defined in the Tax Act) in the Corporation. In addition, Offered Shares will not be a "prohibited investment" if the Offered Shares are "excluded property" (as defined in the Tax Act) for a Registered Plan. Prospective purchasers who intend to hold the Offered Shares in a Registered Plan should consult their own tax advisors regarding their particular circumstances.

RISK FACTORS

An investment in the Offered Shares involves a number of risks. Before investing, prospective purchasers of Offered Shares should carefully consider, in light of their own financial circumstances, the factors set out below, as well as other information and risk factors contained in or incorporated by reference in this short form prospectus, including those risk factors set forth under the heading "*Risk Factors*" in the AIF, and those risk factors set forth under the heading "*Risks and Uncertainties*" in each of the Interim MD&A and the Annual MD&A, which are incorporated by reference herein.

Possible Failure to Realize Anticipated Benefits of the DCEL Acquisition

The Corporation is proposing to complete the DCEL Acquisition to strengthen its position in the oil and natural gas industry and to create the opportunity to realize certain benefits. Achieving the benefits of the DCEL Acquisition depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from integrating the DCEL Assets into Lycos' existing portfolio of properties. The integration of the DCEL Assets requires the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect the Corporation's ability to achieve the anticipated benefits of the DCEL Acquisition. See "*Recent Developments*".

Possible Failure to Complete the DCEL Acquisition

The DCEL Acquisition is subject to the satisfaction of the conditions set forth in the DCEL Agreement, as summarized herein, as well as normal commercial risk that the DCEL Acquisition may not be completed on the terms negotiated or at all. Satisfaction of all closing conditions pertaining to the DCEL Acquisition, other than payment of the cash consideration payable by the Corporation, is a condition to the completion of the Offering, and as such, the Offered Shares may not be issued if the DCEL Acquisition does not close.

Potential Undisclosed Liabilities Associated with the Wyatt Acquisition and the DCEL Acquisition

In connection with the Wyatt Acquisition and the DCEL Acquisition, there may be liabilities that Lycos failed to discover or was unable to quantify in the Corporation's due diligence which the Corporation conducted prior to the execution of the Wyatt Agreement or the DCEL Agreement, and Lycos may not be indemnified for some or all of these liabilities.

Information provided by DCEL

All information relating to the DCEL Assets in this short form prospectus is based on information provided by DCEL to the Corporation in accordance with the terms of the DCEL Agreement. Although the Corporation has conducted what it believes to be a prudent and thorough level of investigation in connection with the DCEL Acquisition, an unavoidable level of risk remains regarding the accuracy and completeness of such information.

The DCEL Acquisition Requires Engineering, Title, Environmental and Economic Assessments that may be Materially Incorrect

Acquisitions of oil and natural gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquiror, 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 gas and operating costs, future capital expenditures and 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 Corporation's control. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

Although title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat the Corporation's title to certain assets or that environmental defects or deficiencies do not exist.

Operational, Environmental and Reserves Risks Relating to the Wyatt Assets and the DCEL Assets

The risk factors set forth in the AIF, the Annual MD&A, the Interim MD&A and in this short form prospectus relating to the oil and natural gas business, environmental considerations and Lycos' operations and reserves apply equally in respect of the Wyatt Assets and the DCEL Assets.

Use of Proceeds

As set out under "*Use of Proceeds*", the Corporation intends to use the net proceeds from the Offering to fund the cash portion of the purchase price in respect of the DCEL Acquisition and expects to use the balance of the net proceeds of the Offering to initially reduce indebtedness incurred under the Credit Facilities and to fund its drilling and capital spending program, for future acquisitions and for general working capital purposes. Although this allocation is based on the current expectations of Lycos, there may be circumstances where a reallocation of funds may be necessary as may be determined at the Corporation's discretion and there can be no assurance as of the date of this short form prospectus as to how those funds may be reallocated. Without limiting the foregoing, the adjustment to the cash portion of the purchase price may be significant and, if so, Lycos may be unable to use the proceeds as set out under "*Use of Proceeds*". Ultimately the Corporation has discretion as to the use of the net proceeds of the Offering, and there can be no assurance as to how the net proceeds will be allocated.

Completion of the Offering

Although the Corporation has entered into the Underwriting Agreement with the Underwriters, there is no guarantee that all of the conditions to the completion of the Offering will be satisfied.

Credit Facility Risk

The amount authorized under the Credit Facility is dependent on the borrowing base determined by the Corporation's lender. 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 comply therewith its 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 it to secure the indebtedness. The acceleration of the Corporation's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions. 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.

The Corporation's borrowing base is determined and re-determined by the lender based on the Corporation's reserves, commodity prices, applicable discount rate and other factors as determined by the Corporation's lender. A material decline in commodity prices could reduce the Corporation's borrowing base, therefore reducing the funds available to the Corporation under the Credit Facility which could result in a portion, or all, of the Corporation's bank indebtedness being required to be repaid.

Transaction and Related Costs

The Corporation expects to incur a number of costs associated with completing the DCEL Acquisition and integrating the DCEL Assets. Most of such costs will consist of transaction costs related to the DCEL Acquisition, facilities and systems consolidation costs and employment-related costs. Additional unanticipated costs may be incurred in the integration of the DCEL Assets into the Corporation's business.

Volatility of Market Price of Common Shares

The market price of the Common Shares may be volatile. Volatility in the market price of Common Shares may affect the ability of holders to sell the Offered Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to the Corporation's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "*Special Note Regarding Forward-Looking Statements*". In addition, the market price for securities in the stock markets, including the TSXV, recently experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Common Shares.

Future Financing

The Corporation may require future financing through the issuance of equity or debt to fund its future exploration, development and operations. There can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation. The Corporation's inability to raise funds to support ongoing operations and to fund capital expenditures or acquisitions may limit the Corporation's growth or may have a material adverse effect upon the Corporation. The Corporation cannot predict the size of future issuances of equity or the issuance of debt or the effect, if any, that future issuances and sales of the Corporation's

securities will have on the market price of the Common Shares. The Corporation may complete additional equity financings and such financings may have a dilutive effect on holdings of shareholders of the Corporation.

Effects of Global Pandemics or Similar Health Threats

An outbreak of infectious disease, a pandemic or a similar public health threat, or a fear of any of the foregoing, could adversely impact the Corporation by causing operating, supply chain and project development delays, disruptions and challenges, labour shortages and challenges and shutdowns (including as a result of government regulation and prevention measures), and increased costs to the Corporation.

Forward-Looking Statements and FOFI May Prove Inaccurate

Investors are cautioned not to place undue reliance on forward-looking information included in this short form prospectus or the documents incorporated by reference in this short form prospectus, including the forward-looking information under "*Recent Developments*". By their nature, forward-looking information and FOFI involve 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 and/or FOFI or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Some of the FOFI presented in this short form prospectus is based upon the completion of the DCEL Acquisition and the Offering, and if any of these transactions are not completed or not completed on the terms or timelines contemplated, this will impact the forward-looking FOFI provided herein and such impact may be material. See "*Special Note Regarding Forward-Looking Statements*".

Additional information on the risks, assumptions and uncertainties are found in this short form prospectus under the heading "*Special Note Regarding Forward-Looking Statements*".

INTERESTS OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Stikeman Elliott LLP, on behalf of the Corporation, and by Burnet, Duckworth & Palmer LLP on behalf of the Underwriters. Based on securityholdings as of September 18, 2023, the partners and associates of Stikeman Elliott LLP, as a group, own, directly or indirectly, less than 1% of the outstanding Common Shares and the partners and associates of Burnet, Duckworth & Palmer LLP, as a group, own, directly or indirectly, less than 1% of the outstanding Common Shares. In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation except as disclosed under "*Directors and Officers*" in the AIF.

Certain reserve estimates incorporated by reference in this short form prospectus are derived from the Reserves Reports prepared by Sproule, the Corporation's independent reserves evaluator. As of the date hereof, none of the partners, employees, or consultants of Sproule who participated in and were in a position to directly influence the preparation of the Reserves Report have any registered or beneficial interest, direct or indirect, in any securities or other property of the Corporation.

KPMG is the auditor of the Corporation and is independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

STATUTORY AND CONTRACTUAL RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may only be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF THE CORPORATION

Dated: September 19, 2023

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the Provinces of Canada, except Québec.

LYCOS ENERGY INC.

(signed) "Dave Burton"

Dave Burton

President and Chief Executive Officer

(signed) "Lindsay Goos"

Lindsay Goos

Vice President, Finance and Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS OF LYCOS ENERGY INC.

(signed) "Kevin Olson"

Kevin Olson

Director

(signed) "Geri Greenall"

Geri Greenall

Director

CERTIFICATE OF THE UNDERWRITERS

Dated: September 19, 2023

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the Provinces of Canada, except Québec.

NATIONAL BANK FINANCIAL INC.

(signed) "Arun Chandrasekaran"

Arun Chandrasekaran
Head of Energy Investment Banking

BMO NESBITT BURNS INC.

(signed) "Gregory Stadnyk"

Gregory Stadnyk
Managing Director

PETERS & CO. LIMITED

(signed) "Benjamin Gazdic"

Benjamin Gazdic
Principal

EIGHT CAPITAL

(signed) "Tony P. Loria"

Tony P. Loria
Principal,
Vice Chairman

HAYWOOD SECURITIES INC.

(signed) "Clark Andrews"

Clark Andrews
Head of Energy
Investment Banking

PARADIGM CAPITAL INC.

(signed) "Jason Tucker"

Jason Tucker
Managing Director,
Investment Banking