

FORM 51-102F3
MATERIAL CHANGE REPORT

1. Name and Address of Company:

Lycos Energy Inc. ("**Lycos**" or the "**Company**")
Suite 1900, 215 – 2nd Street S.W.
Calgary, Alberta T2P 1M4

2. Date of Material Change:

September 13, 2023 and September 14, 2023

3. News Release:

The Company issued press releases on September 13, 2023 and September 14, 2023, which were disseminated through a recognized newswire service and subsequently filed on SEDAR+ under the Company's corporate profile at www.sedarplus.ca.

4. Summary of Material Change:

On September 13, 2023, the Company announced: (a) the execution of a definitive agreement (the "**Acquisition Agreement**") to acquire Durham Creek Exploration Ltd. ("**DCEL**"), a privately held heavy oil producer, by way of a plan of arrangement for total consideration, prior to adjustments, of approximately \$22.5 million (the "**Acquisition**"); and (b) a \$25.0 million bought deal equity financing (the "**Original Offering**"), the proceeds of which will be used to fund the Acquisition.

On September 14, 2023, the Company announced the upside of the Original Offering to \$30,437,700.00 (the "**Offering**"), comprising of 8,574,000 common shares in the capital of the Company (each, a "**Lycos Share**") at a price of \$3.55 per Lycos Share.

5. Full Description of Material Change:

The Acquisition

Summary of the Acquisition

On September 13, 2023, the Company entered into the Acquisition Agreement, pursuant to which the Company will acquire all of the issued and outstanding common shares of DCEL from the holders thereof for aggregate consideration, prior to adjustments, of \$22.5 million, consisting of \$12.5 million in cash and 2.8 million Lycos Shares at a deemed price of \$3.55 per Lycos Share.

Concurrent with the execution of the Acquisition Agreement, shareholders of DCEL executed written resolutions irrevocably approving the Acquisition. As of the date hereof, shareholders of DCEL representing approximately 94.6% of the outstanding common shares of DCEL have executed such written resolutions. The Acquisition Agreement provides for, among other things, a non-solicitation covenant on the part of DCEL. A copy of the Acquisition Agreement has been filed on Lycos' SEDAR+ profile at www.sedarplus.ca.

The 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 TSX Venture Exchange (the "**TSXV**").

All of the Lycos Shares issued to the insiders of DCEL, who will receive approximately 81% of the Lycos Shares to be issued pursuant to the 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 Acquisition.

Strategic Rational

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

As of the closing date of the Acquisition, the assets being acquired from DCEL 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.

Equity Financing

On September 13, 2023, in connection with the Acquisition, the Company announced that it had entered into an agreement with a syndicate of underwriters led by National Bank Financial Inc. (the "**Underwriters**"), pursuant to which the Underwriters agreed to purchase for resale to the public, on a bought-deal basis, 7,044,000 Lycos Shares at a price of \$3.55 per Lycos Share for gross proceeds of \$25,066,200.

Subsequently, on September 14, 2023, the Company announced that it had amended the terms of the Original Offering such that the Underwriters agreed to purchase for resale to the public, on a bought-deal basis, 8,574,000 Lycos Shares at a price of \$3.55 per Lycos Share for gross proceeds of \$30,437,700. The Underwriters will have an option to purchase up to an additional 15% of the Lycos Shares issued under the Offering at a price of \$3.55 per Lycos Share to cover over-allotments exercisable in whole or in part at any time until 30 days after the closing of the Offering.

The Lycos Shares issued pursuant to the Offering will be distributed by way of a short form prospectus in all provinces of Canada (excluding Québec) and may also be placed privately in the United States to Qualified Institutional Buyers (as defined under Rule 144A under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**")) pursuant to an exemption under Rule 144A, and may be distributed outside Canada and the United States on a basis which does not require the qualification or registration of any of the Company's securities under domestic or foreign securities laws.

The Offering is expected to close immediately prior to the completion of the Acquisition and is conditional on all conditions precedent to the completion of the Acquisition (other than the payment of the purchase price) having been satisfied or waived in accordance with the terms of the Acquisition Agreement, and is subject to certain conditions, including, but not limited to, the receipt of all necessary regulatory approvals, including the approval of the TSXV and the satisfaction of other customary closing conditions. Closing of the Offering is expected to occur on or before October 16, 2023.

There were 40,404,140 Lycos Shares issued and outstanding as of September 13, 2023. Following the completion of the Acquisition and the Offering (prior to giving effect to the over-allotment option), there will be 51,795,041 Lycos Shares issued and outstanding.

5.2 Disclosure of Restructuring Transactions:

Not applicable.

6. Reliance on Subsection 7.1(2) of National Instrument 51-102:

Not applicable.

7. Omitted Information:

Not applicable.

8. Executive Officer:

For further information, please contact:

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9. Date of Report:

September 19, 2023.

Reader Advisories

This material change report is not an offer of the securities for sale in the United States. The securities offered have not been, and will not be, registered under the U.S. Securities Act or any U.S. state securities laws and may not be offered or sold in the United States absent registration or an available exemption from the registration requirement of the U.S. Securities Act and applicable U.S. state securities laws. This material change report shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Forward-Looking and Cautionary Statements

Certain statements contained within this material change report constitute forward-looking statements within the meaning of applicable Canadian securities legislation. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "budget", "plan", "endeavor", "continue", "estimate", "evaluate", "expect", "forecast", "monitor", "may", "will", "can", "able", "potential", "target", "intend", "consider", "focus", "identify", "use", "utilize", "manage", "maintain", "remain", "result", "cultivate", "could", "should", "believe" and similar expressions. The Company believes that the expectations reflected in such forward-looking statements are reasonable as of the date of the material change, but no assurance can be given that such expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Without limitation, this material change report contains forward-looking statements pertaining to: Lycos' business strategy, objectives, strength and focus; the completion of the Acquisition, including anticipated funding and timing thereof; the completion of the Offering and the terms, timing and use of proceeds therefrom; satisfaction or waiver of the closing conditions to the Acquisition and the Offering; receipt of required legal, court and regulatory approvals for the completion of the Acquisition and the Offering; the anticipated benefits of the Acquisition, including the impact of the Acquisition on the Company's

operations, inventory and opportunities, financial condition, access to capital and overall strategy; expectations regarding commodity prices; the performance characteristics of the Company's oil and natural gas properties; the ability of the Company to achieve drilling success consistent with management's expectations; and the source of funding for the Company's activities including development costs. Statements relating to production, recovery, replacement, costs and valuation are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the oil exists in the quantities predicted or estimated and that oil will be profitably produced in the future. The forward-looking statements and information are based on certain key expectations and assumptions made by the Company, including expectations and assumptions concerning the business plan of the Company; the receipt of all approvals and satisfaction of all conditions to the completion of the Acquisition and the Offering, the timing of and success of future drilling, development and completion activities; the geological characteristics of Lycos' properties; prevailing commodity prices, price volatility, price differentials and the actual prices received for the Company's products; the availability and performance of drilling rigs, facilities, pipelines and other oilfield services; the timing of past operations and activities in the planned areas of focus; the drilling, completion and tie-in of wells being completed as planned; the performance of new and existing wells; the application of existing drilling and fracturing techniques; prevailing weather and break-up conditions; royalty regimes and exchange rates; the application of regulatory and licensing requirements; the continued availability of capital and skilled personnel; the ability to maintain or grow its credit facility; the accuracy of Lycos' geological interpretation of its drilling and land opportunities, including the ability of seismic activity to enhance such interpretation; and Lycos' ability to execute its plans and strategies. Although the Company believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because the Company can give no assurance that they will prove to be correct. By its nature, such forward-looking information is subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed. These risks and uncertainties include, but are not limited to, counterparty risk to closing the Acquisition and the Offering; unforeseen difficulties in integrating the assets to be acquired pursuant to the Acquisition into Lycos' operations; incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs (including the Acquisition); fluctuations in commodity prices, changes in industry regulations and political landscape both domestically and abroad, wars (including Russia's military actions in Ukraine), hostilities, civil insurrections, foreign exchange or interest rates, increased operating and capital costs due to inflationary pressures (actual and anticipated), volatility in the stock market and financial system, impacts of pandemics, the retention of key management and employees, risks with respect to unplanned third-party pipeline outages and risks relating to the Alberta wildfires, including in respect of safety, asset integrity and shutting in production. Ongoing military actions between Russia and Ukraine have the potential to threaten the supply of oil and gas from the region. The long-term impacts of the actions between these nations remains uncertain. Please refer to the annual information form for the year ended December 31, 2022, and the management discussion and analysis for the period ended June 30, 2023 (the "Interim MD&A") for additional risk factors relating to Lycos, which can be accessed either on the Company's website at www.lycosenergy.com or under the Company's SEDAR+ profile at www.sedarplus.ca. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date hereof, and to not use such forward-looking information for anything other than its intended purpose. Lycos undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

Future Oriented Financial Information

This material change report contains future oriented financial information and financial outlook information (collectively, "FOFI") about Lycos' prospective results of operations and production, organic growth and acquisitions, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this document was approved by management as of the date of the material change and was provided for the purpose of providing further information about Lycos' proposed future business activities. Lycos and its management believe that FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future activities or results. Lycos disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein. Changes in forecast commodity prices, differences in the timing of capital expenditures, and variances in average production estimates can have a significant impact on the key performance measures included in Lycos' guidance. The Company's actual results may differ materially from these estimates.

Disclosure of Oil and Gas Information

Unit Cost Calculation. The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6 Mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in the report are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.

Product Types. Throughout this material change report, "crude oil" or "oil" refers to heavy crude oil product types as defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

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

Abbreviations

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

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