

Lycos Energy Inc. Announces Third Quarter Financial Results, Operations and Guidance Update

Calgary, Alberta--(Newsfile Corp. - November 18, 2024) - Lycos Energy Inc. (TSXV: LCX) ("**Lycos**" or the "**Company**") is pleased to announce its operating and financial results for the three and nine months ended September 30, 2024. Selected financial and operating information is outlined below and should be read with Lycos' unaudited condensed interim consolidated financial statements and related management's discussion and analysis ("**MD&A**") for the three and nine months ended September 30, 2024. These filings are available on SEDAR+ at www.sedarplus.ca and the Company's website at www.lycosenergy.com.

Financial and Operating Highlights

(\$ in thousands, except per share)	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	% change	2024	2023	% change
Total petroleum and natural gas sales, net of blending⁽¹⁾	33,986	24,087	41%	93,527	51,849	80%
Adjusted funds flow from operations⁽¹⁾	17,005	10,826	57%	44,623	20,452	118%
Per share - basic	\$ 0.32	\$ 0.27	19%	\$ 0.84	\$ 0.51	65%
Per share - diluted	\$ 0.31	\$ 0.26	19%	\$ 0.81	\$ 0.49	65%
Net income	3,706	1,699	118%	12,537	23,547	(47)%
Per share - basic	\$ 0.07	\$ 0.04	75%	\$ 0.24	\$ 0.59	(59)%
Per share - diluted	\$ 0.07	\$ 0.04	75%	\$ 0.23	\$ 0.56	(59)%
Capital expenditures - exploration & development	17,281	20,880	(17)%	57,989	44,476	30%
Capital expenditures - net acquisitions & dispositions	-	6,110	(100)%	-	54,886	(100)%
Adjusted working capital (net debt)⁽¹⁾	(31,727)	(29,015)	9%	(31,727)	(29,015)	9%
Weighted average shares outstanding (thousands)						
Basic	53,215	39,976	33%	53,134	39,838	33%
Diluted	54,818	42,143	30%	54,910	42,127	30%
Average daily production:						
Crude oil (bbls/d)	4,728	3,017	57%	4,383	2,612	68%
Natural gas (mcf/d)	651	155	320%	360	131	175%
Total (boe/d)	4,836	3,043	59%	4,443	2,634	69%
Realized prices:						
Crude oil (\$/bbl) ⁽²⁾	77.96	86.22	(10)%	77.73	71.48	9%
Natural gas (\$/mcf)	0.45	2.04	(78)%	0.72	2.30	(69)%
Total (\$/boe)	76.27	85.59	(11)%	76.74	71.00	8%
Operating netback (\$/boe)⁽¹⁾						
Petroleum and natural gas revenues ⁽²⁾	76.27	85.59	(11)%	76.74	71.00	8%
Realized gain (loss) on financial derivatives	0.31	(2.12)	(115)%	(0.20)	(0.70)	(71)%
Royalties	(11.10)	(12.18)	(9)%	(11.11)	(10.41)	7%
Net operating expenses ⁽¹⁾	(22.08)	(26.98)	(18)%	(23.26)	(26.69)	(13)%
Transportation expenses	(1.29)	(1.16)	11%	(1.49)	(0.88)	69%
Operating netback, including financial derivatives (\$/boe)⁽¹⁾	42.11	43.15	(2)%	40.68	32.32	26%
Adjusted funds flow from operations (\$/boe)⁽¹⁾	38.22	38.67	(1)%	36.65	28.44	29%

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

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

Q3 2024 Highlights

- Production averaged 4,836 boe/d (98% crude oil) representing an increase of 59% from the third quarter of 2023. Exit September production averaged 5,306 boe/d.
- Achieved adjusted funds flow from operations⁽¹⁾ of \$17.0 million, an increase of 57% from the third quarter of 2023.

- Realized an operating netback, including financial derivatives⁽¹⁾ of \$42.11 per boe. Q3 2024 had a lower pricing environment but this measure remained comparable to Q3 2023 primarily due to a significant reduction in net operating expenses⁽¹⁾.
- Net operating expenses⁽¹⁾ were \$22.08 per boe in the third quarter of 2024, representing an 18% decrease from \$26.98 per boe in the comparable period of 2023.
- Reduced G&A expense to \$2.89 per boe in the third quarter of 2024, a 33% decrease from the comparable quarter of 2023.
- Executed a \$17.3 million capital expenditure program, drilling, completing and bringing on stream 7 multi-lateral wells (7.0 net wells) by the end of September 2024. The Company has encountered higher associated gas on certain new drills and invested \$1.5 million on gas handling infrastructure in the quarter. The Company continued to add to its land position through Crown land sales and freehold leases totalling \$1.3 million.
- Exit net debt⁽¹⁾ of \$31.7 million, representing 0.5X annualized net debt to adjusted funds flow ratio⁽¹⁾.

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

Operations Update

Lycos continued its active multi-lateral Mannville step out drilling program throughout Q3 2024. The first wells rig released consisted of three Rex multi-lateral wells in the Viking-Kinsella area that achieved a three well average IP30 of 143 bbl/d and IP60 of 131 bbl/d. The first two wells were below type curve expectations but the third well exceeded type curve expectations with an IP30 of 315 bbl/d and IP60 of 301 bbl/d as a result of changes in geosteering and operational parameters based on a new geological model. These changes are expected to provide optimal results utilized on future drills as well.

Following the Viking-Kinsella wells, three Sparky/General Petroleum wine-rack wells were drilled in the Wildmere area, which exceeded type curve once again. These wells achieved a three well average IP30 of 308 bbl/d and IP 60 of 252 bbl/d.

Outlook & Guidance

Based on the positive results to date in 2024, Lycos will continue its drilling program into the fourth quarter of 2024 by drilling 3 gross (3.0 net) wells on a combination of proven up lands and new step out tests.

At the end of September 2024, Lycos was forced to temporarily shut in 680 bbl/d of oil and 780 mcf/d of gas, for a combined 810 boe/d. This shut in was necessitated as the gas plant Lycos delivers gas to in the area could not meet hydrocarbon dewpoint specifications on its sales gas stream. Lycos expects that this shut in production will be back on stream in Q1 2025.

As a result of the shut-in production and recent volatility in commodity prices, the Company has revised its 2024 guidance production, capital expenditures⁽¹⁾, adjusted funds flow from operations⁽¹⁾ and net debt⁽¹⁾. The following table summarizes Lycos' updated 2024 guidance ("**Updated 2024 Guidance**"):

	Prior 2024 Guidance ⁽²⁾ Year Ended December 31, 2024	Updated 2024 Guidance ⁽³⁾ Year Ended December 31, 2024
Annual average production (boe/d)	4,800 boe/d (99% oil)	4,500 boe/d (99% oil)
Capital expenditures ⁽¹⁾	\$66.0 million	\$67.6 million
Decommissioning expenditures	\$1.8 million	\$1.4 million
Adjusted funds flow from operations ⁽¹⁾	\$65.8 million	\$59.0 million
Adjusted working capital (net debt), end of year ⁽¹⁾	(\$19.8) million	(\$27.3) million
Net debt to adjusted funds flow from operations ratio, end of year ⁽¹⁾	0.3X	0.5X

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

⁽²⁾ Prior guidance as updated on April 3, 2024.

⁽³⁾ Updated 2024 guidance numbers are based on 2024 average pricing assumptions of: US\$75.74 bbl WTI; (US\$14.76) WCS differential; and \$1.36 CAD/USD.

About Lycos

Lycos is an oil-focused, exploration, development and production company based in Calgary, Alberta, operating high-quality, heavy-oil, development assets in the Lloydminster, Greater Lloydminster area and Gull Lake, Saskatchewan.

Additional Information

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Reader Advisories

Forward-Looking and Cautionary Statements

Certain statements contained within this press release constitute forward-looking statements within the meaning of applicable Canadian securities legislation. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "budget", "plan", "endeavor", "continue", "estimate", "evaluate", "expect", "forecast", "monitor", "may", "will", "can", "able", "potential", "target", "intend", "consider", "focus", "identify", "use", "utilize", "manage", "maintain", "remain", "result", "cultivate", "could", "should", "believe" and similar expressions (including negatives and variations thereof). Lycos believes that the expectations reflected in such forward-looking statements are reasonable as of the date hereof, but no assurance can be given that such expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Without limitation, this press release contains forward-looking statements pertaining to: Lycos' business strategy, objectives, strength and focus; the Company's anticipated capital program, drilling plans, outlook and operational results for the remainder of 2024, including the Updated 2024 Guidance; the Company's expectations in respect of its recently drilled wells; 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; expectations in respect of the Company's wells, including anticipated benefits and results; the expectation that the gas plant Lycos delivers gas to being brought back onstream and timing thereof; and the source of funding for the Company's activities.

The forward-looking statements and information are based on certain key expectations and assumptions made by Lycos, including expectations and assumptions concerning the business plan of Lycos; the timing of and success of future drilling, development and completion activities; the 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 Lycos believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because Lycos can give no assurance that they will prove to be correct. By its nature, such forward-looking information is subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed. These risks and uncertainties include, but are not limited to: unforeseen difficulties in integrating recently acquired assets into Lycos' operations; incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs; fluctuations in commodity prices; changes in industry regulations and political landscape both domestically and abroad; wars (including Russia's military actions in Ukraine and the Israel-Palestinian conflict); 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; access to water; the possibility that government policies or laws may change (including greenhouse gas emission reduction requirements and other decarbonization or social policies and including uncertainty with respect to the interpretation of omnibus Bill C-59 and the related amendments to the *Competition Act* (Canada)); impacts of pandemics; the retention of key management and employees; risks with respect to unplanned third-party pipeline outages, 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, 2023, and the 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 press release contains future oriented financial information and financial outlook information (collectively, "**FOFI**") about Lycos' prospective results of operations and production, organic growth, operating costs, 2024 outlook, including exploration, development and acquisition expenditures in 2024 and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Lycos' proposed business activities in the remainder of 2024. 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 press release, "crude oil" or "oil" refers to heavy crude oil product types as defined by National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") and "gas" refers to conventional natural gas product types as defined by NI 51-101.

Short Term Results. References in this press release to peak rates, initial production rates, IP30, IP60, IP90 and other short-term production rates are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production of Lycos.

Type Curves. This press release contains references to type well production and economics, which are derived, at least in part, from available information respecting the well economics of other companies and, as such, there is no guarantee that Lycos will achieve the stated or similar results per well. Type curve disclosure referenced herein represents volumes expected to be recovered from wells. The type curves represent what management thinks an average well will achieve, based on methodology that is analogous to wells with similar geological features. Individual wells may be higher or lower but over a larger number of wells, management expects the average to come out to the type curve. Over time, type curves can and will change based on achieving more production history on older wells or more recent completion information on newer wells. Additional information regarding the Company's forecast type curves will be available in the corporate presentation to be filed on the Company's website at www.lycosenergy.com concurrent with the Company's financial statements for the period ended September 30, 2024.

Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Management Measures

This press release includes various specified financial measures, including non-IFRS financial measures, non-IFRS financial ratios, capital management measures and capital management ratios as further described herein. These measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("**IFRS**") and, therefore, may not be comparable with the calculation of similar measures by other companies.

"Adjusted Working Capital (Net Debt) (capital management measure)" is calculated as current assets less current liabilities, excluding the current portion of decommissioning liabilities and financial derivative receivable and liabilities. Adjusted working capital (Net Debt) is a capital management measure which management uses to assess the Company's liquidity. See the MD&A for a detailed calculation and reconciliation of Adjusted Working Capital (Net Debt) to the most directly comparable measure presented in accordance with IFRS.

"Adjusted Funds Flow from Operations (capital management measure)" is funds flow is calculated by taking cash flow from operating activities and adding back changes in non-cash working capital. Adjusted funds flow is further calculated by adding back decommissioning expenditures and transaction costs. Management considers Adjusted Funds Flow from Operations to be a key measure to assess the performance of the Company's oil and gas properties and the Company's ability to fund future capital investment. Adjusted Funds Flow from Operations is an indicator of operating performance as it varies in response to production levels and management of costs. Changes in non-cash working capital, decommissioning expenditures and transaction costs vary from period to period and management believes that excluding the impact of these provides a useful measure of Lycos' ability to generate the funds necessary to manage the capital needs of the Company. See the MD&A for a detailed calculation and reconciliation of Adjusted

Funds Flow from Operations to the most directly comparable measure presented in accordance with IFRS.

"Net debt to adjusted funds flow from operations ratio (capital management ratio)" is calculated as net debt divided by adjusted funds flow from operations for the applicable period. Lycos utilizes net debt to adjusted funds flow from operations to measure the Company's overall debt position and to measure the strength of the Company's balance sheet. Lycos monitors this capital management ratio and uses this as a key measure in making decisions regarding financing, capital expenditures and shareholder returns.

"Net Operating Expenses (non-IFRS financial measure)" is operating expenses, less processing income primarily generated by third party volumes at processing facilities where the Company has an ownership interest. The Company's principal business is not that of a midstream entity whose activities are dedicated to earning processing and other infrastructure payments. Where the Company has excess capacity at its facilities, it will look to process third party volumes as a means to reduce the cost of operating/owning the facility.

"Operating Netback (non-IFRS financial measure)" is petroleum and natural gas revenues, less royalties, less net operating costs and transportation expenses, excluding the effects of financial derivatives. These metrics can also be calculated on a per boe basis, which results in them being considered a non-IFRS financial ratio. Management considers operating netback an important measure to evaluate Lycos' operational performance, as it demonstrates field level profitability relative to current commodity prices. See the MD&A for a detailed calculation and reconciliation of operating netback per boe to the most directly comparable measure presented in accordance with IFRS. Operating netback, including financial derivatives is defined as operating netback plus realized gains or losses on financial derivatives.

"Total Petroleum and Natural Gas Sales, Net of Blending (non-IFRS financial measure)" is total petroleum and natural gas sales, net of blending expense and the associated tariffs to compare realized pricing to benchmark pricing. This is calculated by deducting the Company's blending expense and the associated tariffs from petroleum and natural gas sales. Blending expense and the associated tariffs is recorded within blending expense in the Condensed Interim Consolidated Financial Statements. See the MD&A for a detailed calculation and reconciliation of Total Petroleum and Natural Gas Sales, Net of Blending, to the most directly comparable measure presented in accordance with IFRS.

Please refer to the MD&A for additional information relating to specified financial measures including non-IFRS financial measures, non-IFRS financial ratios and capital management measures. The MD&A can be accessed either on the Company's website or under the Company's SEDAR+ profile on www.sedarplus.ca.

Assumptions for Updated 2024 Guidance

The significant assumptions used in the forecast of adjusted funds flow from operations for Updated 2024 Guidance include: annual average production of 4,500 boe/d, WTI of US\$75.74/bbl, WCS differential of US\$14.76, annual average foreign exchange rate of CDN\$/US\$ of \$1.36, annual average blending expense of WCS less \$7.11/bbl, royalty rate of 14%, net operating costs of \$22.85/boe, transportation costs of \$1.65/boe, general and administrative expense of \$3.01/boe, and interest expense and other of \$1.19/boe.

Abbreviations

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

Mbbl	thousand barrels of oil equivalent
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
m	meters
Q1	first financial quarter (January 1 - March 31)
Q2	second financial quarter (April 1 - June 30)
Q3	third financial quarter (July 1 - September 30)
Q4	fourth financial quarter (October 1 - December 31)
WCS	Western Canadian Select
WTI	West Texas Intermediate

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

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.



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