



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis (the "MD&A") as provided by the management of Lycos Energy Inc. ("Lycos" or the "Company") is dated April 18th, 2024 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2023 and 2022 and the notes thereto (the "Annual Financial Statements"). The Annual Financial Statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). All dollar amounts are referenced in Canadian dollars unless otherwise stated. Additional information relating to Lycos, including Lycos' Annual Information Form for the year ended December 31, 2023, is available on SEDAR+ at www.sedarplus.ca and the Company's website at www.lycosenergy.com. The MD&A should also be read in conjunction with Lycos' disclosure under "Forward-Looking Information and Statements" below.

Unless otherwise indicated, all production information presented herein have been presented on a gross basis, which is the Company's working interest prior to deduction of royalties and without including any royalty interests. Readers are cautioned that the MD&A should be read in conjunction with disclosures in the sections entitled "Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Management Measures".

Certain figures included in this MD&A have been rounded for ease of presentation. Percentage figures included in this MD&A have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this MD&A may vary slightly from those obtained by performing the same calculations using the figures in Lycos' Annual Financial Statements or in the associated text. Certain other amounts that appear in this MD&A may similarly not sum due to rounding.

Description of the Business

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

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

Strategic Transactions

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

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

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

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

On September 1, 2023, Lycos completed the acquisition (the "Wyatt Acquisition") of Wyatt Resources Ltd. ("Wyatt"), a privately held, heavy oil producer in the Greater Lloydminster area of Alberta. The purchase price consisted of \$6.1 million in cash, after closing adjustments, and the issuance of 635,640 Common Shares valued at \$2.5 million (based on the closing price of Common Shares of \$3.99 per common share on the TSX Venture Exchange on September 1, 2023). Lycos amalgamated with Wyatt on September 1, 2023.

On October 16, 2023, Lycos closed the acquisition (the "DCEL Acquisition") of Durham Creek Exploration Ltd. ("DCEL"), a privately held, heavy oil producer in the Greater Lloydminster area of Alberta. Lycos acquired all the issued and outstanding common shares of DCEL for consideration of \$12.5 million in cash, before closing adjustments, and 2,816,907 Common Shares valued at \$10.7 million (based on the closing price of Common Shares of \$3.80 per common share on the TSX Venture Exchange on October 16, 2023). Lycos amalgamated with DCEL on October 16, 2023.

Concurrent with the DCEL Acquisition, Lycos completed a bought-deal financing including the exercise of the over-allotment option (the "Offering") of 9,860,100 Common Shares at a price of \$3.55 per common share for gross proceeds of approximately \$35.0 million. A portion of the net proceeds from the Offering were used to fund the cash purchase price of the DCEL Acquisition.

As at December 31, 2023 and as of the date hereof, Lycos has 53,081,147 Common Shares issued and outstanding.

Q4 2023 Highlights

Highlights for the three months ended December 31, 2023 include:

- Achieved record production of 4,121 boe/d (99% crude oil) and exit December average production of 4,357 boe/d (99% crude oil). This represents a 267% increase from the fourth quarter of 2022 of 1,123 boe/d (99% crude oil) and a 35% increase from the third quarter of 2023 of 3,043 boe/d (99% crude oil).
- Reduced net operating expenses⁽¹⁾ to \$21.87 per boe in the fourth quarter of 2023 compared to \$40.16 per boe in the fourth quarter of 2022, a 46% reduction year over year and a 19% decrease from \$26.98 per boe in the third quarter of 2023.
- Generated adjusted funds flow from operations⁽¹⁾ of \$11.4 million representing a 5763% increase from (\$0.2 million) in the fourth quarter of 2022 and a 5% increase from \$10.8 million in the third quarter of 2023.
- Operating netback, including financial derivatives⁽¹⁾ was \$33.08 per boe representing a 432% increase from \$6.22 per boe in the fourth quarter of 2022.
- Reduced general and administrative expenses to \$2.65/boe in the fourth quarter of 2023, representing a 72% decline from \$9.32/boe in the fourth quarter of 2022.
- Successfully executed a \$31.5 million capital expenditure⁽¹⁾ program in the fourth quarter of 2023, closing the DCEL Acquisition for \$12.5 million, before closing adjustments, and drilling 5.0 net crude oil wells with 100% success rate, including one fishbone well in Viking Kinsella on the lands acquired from the DCEL Acquisition.

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

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Fourth Quarter Operational and Financial Highlights

	Three months ended December 31,			Year ended December 31,		
(\$ in thousands, except per share)	2023	2022	% change	2023	2022	% change
Total petroleum and natural gas sales, net of blending⁽¹⁾	24,748	6,341	290%	76,597	32,805	133%
Cash flow from operating activities	14,235	910	1464%	26,143	5,392	385%
Per share - basic	\$ 0.28	\$ 0.06	367%	\$ 0.61	\$ 0.47	30%
Per share - diluted	\$ 0.27	\$ 0.06	350%	\$ 0.58	\$ 0.38	53%
Adjusted funds flow from operations⁽¹⁾	11,382	(201)	5763%	31,834	5,956	434%
Net income	1,172	(14,948)	108%	24,719	3,671	573%
Per share - basic	\$ 0.02	\$ (0.93)	102%	\$ 0.58	\$ 0.32	81%
Per share - diluted	\$ 0.02	\$ (0.93)	102%	\$ 0.55	\$ 0.26	112%
Capital expenditures - exploration & development	18,520	5,489	237%	62,996	10,091	524%
Capital expenditures - net acquisitions & dispositions	12,954	-	100%	67,840	(316)	21568%
Adjusted working capital (net debt)⁽¹⁾	(17,057)	56,835	(130)%	(17,057)	56,835	(130)%
Weighted average shares outstanding (thousands)						
Basic	50,876	15,999	218%	42,621	11,372	275%
Diluted	53,055	15,999	232%	44,865	14,370	212%
Average daily production:						
Crude oil (bbls/d)	4,081	1,109	268%	2,983	993	200%
Natural gas (mcf/d)	238	85	180%	158	62	155%
Total (boe/d)	4,121	1,123	267%	3,009	1,004	200%
Realized prices:						
Crude oil (\$/bbl) ⁽²⁾	65.56	57.20	15%	69.44	85.88	(19)%
Natural gas (\$/mcf)	2.38	4.76	(50)%	2.33	5.16	(55)%
Total (\$/boe)	65.06	56.84	14%	68.95	85.32	(19)%
Operating netback (\$/boe)						
Petroleum and natural gas revenues ⁽²⁾	65.06	56.84	14%	68.95	85.32	(19)%
Realized gain (loss) on financial derivatives	0.97	-	100%	(0.12)	-	(100)%
Royalties	(9.29)	(9.71)	(4)%	(10.02)	(13.85)	(28)%
Net operating expenses ⁽¹⁾	(21.87)	(40.16)	(46)%	(25.02)	(47.68)	(48)%
Transportation expenses	(1.79)	(0.75)	139%	(1.19)	(0.73)	63%
Operating netback, including financial derivatives (\$/boe)⁽¹⁾	33.08	6.22	432%	32.60	23.06	41%
Adjusted funds flow from operations (\$/boe)⁽¹⁾	30.03	(1.94)	1648%	28.99	16.25	78%

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

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

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Results of Operations Production

(6:1 boe conversion)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Daily production:						
Crude oil (bbls/d)	4,081	1,109	268%	2,983	993	200%
Natural gas (mcf/d)	238	85	180%	158	62	155%
Total (boe/d)	4,121	1,123	267%	3,009	1,004	200%
% Heavy oil	99%	99%	0%	99%	99%	0%

Production for the three months and year ended December 31, 2023 averaged 4,121 boe/d (99% crude oil) and 3,009 boe/d (99% crude oil), an increase of 267% and 200%, respectively, over production of 1,123 boe/d (99% crude oil) and 1,004 boe/d (99% crude oil) in the comparable periods of 2022.

The increase in production for the three months ended December 31, 2023 as compared to the comparable period is primarily the result of a full quarter of production from the 400 boe/d Wyatt Acquisition, 1,500 boe/d CDLP Acquisition and the full impact of production contributions from the third quarter drill program and production additions from the fourth quarter drilling program.

The increase in production for the year ended December 31, 2023 as compared to the comparable period is primarily the result of the Wyatt Acquisition, CDLP Acquisition and production additions from the 2023 year-to-date capital expenditure program, offset by natural production declines.

Petroleum and Natural Gas Sales

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Crude oil	30,337	8,342	264%	95,414	39,343	143%
Blending expense	5,728	2,505	129%	19,824	8,189	142%
Crude oil, net of blending ⁽¹⁾	24,609	5,837	322%	75,590	31,154	143%
Natural gas	52	37	41%	134	116	16%
Total petroleum and natural gas revenues, net of blending ⁽¹⁾	24,661	5,874	320%	75,724	31,270	142%
Processing income	87	467	(81)%	873	1,535	(43)%
Total petroleum and natural gas sales, net of blending ⁽¹⁾	24,748	6,341	290%	76,597	32,805	133%

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

Total petroleum and natural gas revenues, net of blending for the three months ended December 31, 2023, was \$24.7 million, a 320% increase as compared to \$5.9 million in the comparable period of 2022. The increase is the result of a 267% increase in production volumes and a 14% increase in the realized price. For the fourth quarter of 2023, lower West Texas Intermediate ("WTI") pricing was offset by the narrowing of the Western Canadian Select ("WCS") differential in the quarter. These pricing movements resulted in an increase in realized pricing, in addition to the Company's discount to WCS improving in the fourth quarter of 2023 as compared to the fourth quarter of 2022.

During the year ended December 31, 2023, total petroleum and natural gas revenues, net of blending, increased to \$75.7 million from \$31.3 million in the prior year. The increase is due to a 200% increase in production volumes, offset by a 19% decrease in lower realized price which is consistent with the decrease in benchmark WCS pricing.

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Benchmark and Realized Prices

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Averaged realized prices:						
Crude oil (\$/bbl) ⁽¹⁾⁽³⁾	65.56	57.20	15%	69.44	85.88	(19)%
Natural gas (\$/mcf) ⁽¹⁾	2.38	4.76	(50)%	2.33	5.16	(55)%
Barrels of oil equivalent (\$/boe) ⁽²⁾⁽³⁾	65.06	56.84	14%	68.95	85.32	(19)%
Benchmark prices:						
WTI (\$US/bbl)	78.32	82.64	(5)%	77.62	94.23	(18)%
WCS (\$US/bbl)	56.43	57.01	(1)%	58.92	75.74	(22)%
WCS (\$Cdn/bbl)	76.95	77.39	(1)%	79.52	98.51	(19)%
Condensate at Edmonton (\$Cdn/bbl)	104.09	108.23	(4)%	102.80	119.75	(14)%
Exchange rate (\$Cdn/\$US)	1.36	1.36	0%	1.35	1.30	4%

(1) "Crude oil" refers to heavy crude oil and natural gas liquids combined. "Natural gas" refers to conventional gas combined.

(2) Disclosure of production on a per boe basis in this MD&A consists of the constituent product types and their respective quantities disclosed in the "Product Type Information" section of this MD&A. Also refer to the "BOE Presentation" section of this MD&A.

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

The Company takes all its working interest production "in kind" which is marketed and sold through various credit-worthy commodity purchasers. Lycos' crude oil is marketed under short-term (30 day) or fixed price contracts with crude oil marketers and through major North American crude oil purchasers. All the Company's natural gas is currently sold as spot gas through significant North American natural gas marketers.

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

Commodity prices are affected by both domestic and international factors that are beyond the control of the Company. Prices received for crude oil are determined by the quality of the crude oil compared to the benchmark price for WCS crude oil expressed in Canadian dollars, which is determined by the price for WTI, the exchange rate between the Canadian dollar and the US dollar, the heavy oil differential between WTI and WCS denominated in US dollars, and field level price adjustments for quality of crude oil and diluent costs to blend oil to meet pipeline specifications. The Company's realized crude oil prices in southwest Saskatchewan are based on Fosterton oil prices at Regina. The Company's realized crude oil prices in Lloydminster and Greater Lloydminster are based on Lloyd Kerrobert which is gathered to the east and south of Lloydminster on the Manito Pipeline system for delivery to the Kerrobert station on Enbridge Pipeline Inc.'s mainline system.

Benchmark WTI pricing was lower throughout 2023 relative to 2022 due to overall demand concerns surrounding a slowing global economy and rising interest rates, while 2022 WTI pricing was impacted by international energy supply concerns surrounding uncertainty around the Russia/Ukraine conflict. WCS differentials averaged comparably in 2023 to 2022 on an annual basis, with WCS differentials widening in the fourth quarter of 2023 due to increased production and egress constraints in the Western Canadian Basin. Given the anticipated commissioning of the Trans Mountain pipeline expansion, narrower heavy oil differentials appear to be supported by the overall supply-demand outlook.

The Company's realized crude oil price, net of blending, for the three months ended December 31, 2023 was \$65.56/bbl as compared to \$57.20/bbl in the comparable period of 2022. WTI pricing decreased for the three months and year ended December 31, 2023 by 5% and 18% to the comparable periods in 2022. The lower WTI pricing was offset by the narrowing of the WCS differential in the fourth quarter of 2023 to the comparable quarter of 2022. These pricing movements resulted in an increase in realized pricing, in addition to the Company's discount to WCS improving compared to the fourth quarter of 2022.

During the year ended December 31, 2023, Lycos' realized crude oil price, net of blending was \$69.44/bbl as compared to \$85.88/bbl in the comparable period of 2022. The 19% decrease in the lower realized price in 2023 compared to 2022 is consistent with the decrease in benchmark WCS pricing.

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Risk Management Financial Derivatives

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Realized gain (loss)	369	-	100%	(133)	-	100%
Unrealized gain	1,436	-	100%	759	-	100%
Financial derivative gain	1,805	-	100%	626	-	100%
Realized gain (loss) per boe (\$)	0.97	-	100%	(0.12)	-	100%

The Company incurred a realized gain of \$0.4 million for the three months ended December 31, 2023 and a realized loss of \$0.1 million for year ended December 31, 2023. The fourth quarter 2023 realized gain was the result of the fixed price of the financial derivative commodity contracts being higher than the settlement price in the period. In contrast, the year ended December 31, 2023 realized loss was the result of the fixed price of the financial derivative contract being lower than the settlement price in the period. The unrealized gain is a result of the non-cash change in the mark-to market values over the periods on the Company's outstanding financial derivative contracts.

Financial Derivative Commodity Contracts

Lycos maintains an ongoing risk management program to reduce the volatility of revenues to fund operations and capital expenditures. As at December 31, 2023, the Company had the following financial derivative commodity contracts:

Type	Type	Term	Volume	Price/Unit	Mark-to Market ⁽¹⁾
WCS	Differential	January 1, 2024 to December 31, 2024	250 bbl/d	CAD (\$20.00)	\$ 95
WTI	Swap	January 1, 2024 to March 31, 2024	250 bbl/d	CAD \$106.50	\$ 254
WTI	Swap	January 1, 2024 to March 31, 2024	250 bbl/d	CAD \$111.55	\$ 368
WTI	Swap	April 1, 2024 to June 30, 2024	250 bbl/d	CAD \$109.05	\$ 306
WCS	Differential	January 1, 2024 to December 31, 2024	250 bbl/d	CAD (\$23.50)	\$ (216)
WCS	Differential	January 1, 2024 to December 31, 2024	250 bbl/d	CAD (\$20.25)	\$ (48)

⁽¹⁾ Positive mark-to market values indicate an asset and negative mark-to market values indicate a liability for the Company.

Royalties

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Royalty expenses	3,521	1,003	251%	11,005	5,076	117%
Royalty rate ⁽¹⁾	14.3%	17.1%	(16)%	14.5%	16.2%	(10)%
Per boe (\$)	9.29	9.71	(4)%	10.02	13.85	(28)%

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

Royalties are paid to provincial governments, Indian Oil and Gas Canada, freehold mineral rights owners and royalty contract owners and include the Saskatchewan resource surcharge. Royalties are calculated based on revenue less allowed costs of transportation and processing and are generally expressed as a percentage of revenue. Royalty rates can vary due to several factors including commodity prices, mix of production subject to each type of royalty, commodity produced, royalty contract terms, and royalty incentive schemes. Under the Alberta Modernized Royalty Framework ("MRF"), the Company will pay a flat royalty of 5% on a well's production until the well's total revenue exceeds the Drilling and Completion Cost Allowance (C*), then royalty rates increase on a sliding scale up to 40% depending on commodity reference pricing. The Government of Saskatchewan has a drilling incentive whereby qualifying incentive volumes of newly drilled oil wells are subject to a maximum royalty rate of 2.5% for Crown production.

Royalties for the three months ended December 31, 2023, were \$3.5 million or a 14.3% royalty rate as compared to \$1.0 million or a 17.1% royalty rate in the comparable period. Year to date, royalties were \$11.0 million or a 14.5% royalty rate compared to \$5.1 million or a 16.2% royalty rate for the same period of 2022. On an absolute dollar basis, royalties increased over the comparable periods due to higher petroleum and natural gas revenues and increased production from lands subject to gross overriding royalties. On a royalty

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rate basis, royalties decreased slightly over the comparable periods due to the lower crude oil pricing environment and royalty incentives on newly drilled wells in Alberta and Saskatchewan.

Net Operating Expenses

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Operating expenses	8,375	4,617	81%	28,355	19,009	49%
Less: processing income	87	467	(81)%	873	1,535	(43)%
Total net operating expenses ⁽¹⁾	8,288	4,150	100%	27,482	17,474	57%
Per boe (\$)	21.87	40.16	(46)%	25.02	47.68	(48)%

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

For the three months and year ended December 31, 2023, net operating expenses increased to \$8.3 million and \$27.5 million, respectively, from \$4.2 million and \$17.5 million in the comparable periods due to a significant increase in production volumes and inflationary pressures.

On a per boe basis, net operating expenses for the three months and year ended December 31, 2023, were \$21.87 and \$25.02, respectively, compared to \$40.16 and \$47.68 in the comparable periods. The overall decrease in net operating expenses per boe is due to the increased production and synergies gained from the CDLP Acquisition and Wyatt Acquisition assets, which are directly adjacent to the Company's existing assets in the Lloydminster area combined with injection and disposal projects aimed at reducing net operating costs.

Transportation Expenses

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Transportation expenses	677	78	768%	1,311	269	387%
Per boe (\$)	1.79	0.75	139%	1.19	0.73	63%

Transportation expenses include the cost of transporting natural gas and the cost to truck clean crude oil from the field to sales points and can fluctuate month to month depending on the product mix and the proximity of each well to a sales point. For the three months and year ended December 31, 2023, total transportation expenses on an absolute and per boe basis increased compared to the comparable periods due to higher production volumes and increased clean oil trucking to optimize received pricing.

Operating Netback

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Total petroleum and natural gas revenues, net of blending ⁽¹⁾	24,661	5,874	320%	75,724	31,270	142%
Royalties	(3,521)	(1,003)	251%	(11,005)	(5,076)	117%
Net operating expenses ⁽¹⁾	(8,288)	(4,150)	100%	(27,482)	(17,474)	57%
Transportation expenses	(677)	(78)	768%	(1,311)	(269)	387%
Operating netback ⁽¹⁾	12,175	643	1793%	35,926	8,451	325%
Realized gain (loss) on financial derivatives	369	-	100%	(133)	-	100%
Operating netback ⁽¹⁾ , including financial derivatives	12,544	643	1851%	35,793	8,451	324%

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(\$/boe)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Total petroleum and natural gas revenues, net of blending ⁽²⁾	65.06	56.84	14%	68.95	85.32	(19)%
Royalties	(9.29)	(9.71)	(4)%	(10.02)	(13.85)	(28)%
Net operating expenses ⁽¹⁾	(21.87)	(40.16)	(46)%	(25.02)	(47.68)	(48)%
Transportation expenses	(1.79)	(0.75)	139%	(1.19)	(0.73)	63%
Operating netback⁽¹⁾	32.11	6.22	416%	32.72	23.06	42%
Realized gain (loss) on financial derivatives	0.97	-	100%	(0.12)	-	100%
Operating netback⁽¹⁾, including financial derivatives	33.08	6.22	432%	32.60	23.06	41%

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

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

For the three months ended December 31, 2023, operating netback per boe was higher primarily due to higher received price and lower net operating expenses, offset by higher transportation expenses as compared to the same period of 2022. For the year ended December 31, 2023, operating netback per boe was higher due to lower net operating expenses and royalties, offset by lower received pricing and higher transportation expenses.

On an absolute basis, operating netback for the three months ended December 31, 2023 was higher than the comparable period due to higher production and higher received price offset by higher net operating expenses, royalties and transportation expenses. For the year ended December 31, 2023, operating netback was higher due to higher production, partially offset by lower received pricing and higher royalties, net operating and transportation expenses.

General and Administrative ("G&A") Expenses

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
G&A expenses	1,924	1,766	9%	7,098	3,744	90%
Capitalized G&A and overhead recoveries	(921)	(803)	15%	(2,894)	(1,110)	161%
Net G&A expenses	1,003	963	4%	4,204	2,634	60%
Per boe (\$)	2.65	9.32	(72)%	3.83	7.19	(47)%

For the three months and year ended December 31, 2023, the Company incurred net G&A expenses of \$1.0 million and \$4.2 million, respectively, from \$1.0 million and \$2.6 million in the comparable periods due to employee related costs and professional fees associated with the Company's growth over the year. For the three months and year ended December 31, 2023, the Company increased capitalized G&A due to Lycos' higher capital expenditure program and technical staff additions as compared to the same periods of 2022. On a per boe basis, G&A expenses decreased as compared to the same periods of 2022 due to a significant increase in production over the periods.

Stock-based Compensation

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Stock options	1,239	-	100%	3,793	-	100%
Capitalized stock-based compensation	(508)	-	100%	(1,502)	-	100%
Stock-based compensation	731	-	100%	2,291	-	100%
Per boe (\$)	1.93	-	100%	2.09	-	100%

The Company established a share option plan for its directors, officers, employees, and certain consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding Common Shares of the Company. The stock options expire five years from the date of grant and vest as to one-third on each of the first, second and third anniversary of the grant date.

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During the three months and year ended December 31, 2023, the Company recorded gross stock-based compensation expense of \$1.2 million and \$3.8 million, respectively, compared to \$nil in the comparable periods of 2022. The Company capitalizes stock-based compensation expense related to petroleum and natural gas exploration and development activities. For the three months and year ended December 31, 2023, Lycos recorded capitalized stock-based compensation expense of \$0.5 million and \$1.5 million, respectively, compared to \$nil in the comparable periods of 2022.

The following table summarizes stock options granted in the financial year ended December 31, 2023:

	Number of Options ⁽¹⁾	Exercise price
January 25, 2023 ⁽¹⁾	1,991,875	\$ 4.40
May 15, 2023 ⁽¹⁾	142,500	\$ 3.60
August 24, 2023 ⁽¹⁾	51,250	\$ 3.68
October 30, 2023	1,626,250	\$ 3.75
Total options granted in period	3,811,875	

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

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

	December 31, 2023		December 31, 2022	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Options outstanding, beginning of year	-	\$ -	-	\$ -
Granted	3,811,875	\$ 4.07	-	\$ -
Forfeited	(95,625)	\$ 4.40	-	\$ -
Options outstanding, end of year	3,716,250	\$ 4.07	-	\$ -

The range of exercise price of stock options outstanding and exercisable as at December 31, 2023, is as follows:

Outstanding options				
Exercise price	Number of Options Outstanding	Weighted average remaining term (years)		Weighted average exercise price
\$ 3.60 - \$ 4.40	3,716,250	4.43	\$	4.07

At December 31, 2023, there are no exercisable options.

Depletion and Depreciation ("D&D")

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Depletion and depreciation	8,092	1,501	439%	22,837	6,386	258%
Per boe (\$)	21.35	14.52	47%	20.79	17.42	19%

D&D per boe will fluctuate from one period to the next depending on the amount and type of capital spending, the recognition or reversal of impairments, the amount of reserves and future development costs added and production volumes.

Depletion of oil and gas assets is provided on the unit-of-production method based on total proved and probable petroleum and natural gas reserves, including future development costs. Depletion and depreciation expense for the three months and year ended December 31, 2023, was \$8.1 million and \$22.8 million, respectively, compared to \$1.5 million and \$6.4 million for the comparable periods, due to a significant increase in the Company's production volumes and depletable base. D&D per boe for the three months and year ended December 31, 2023 was \$21.35/boe and \$20.79/boe compared to \$14.52/boe and \$17.42/boe for the comparable periods of 2022. These increases in the D&D rate are mainly the result of the impact of

MANAGEMENT'S DISCUSSION AND ANALYSIS

impairment reversal at December 31, 2022 and the acquisitions which increased the Company's depletable base.

Transaction Costs

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Transaction costs related to acquisitions	577	404	43%	2,003	404	396%
Transaction costs related to credit facilities	5	-	100%	104	-	100%
Transaction costs	582	404	44%	2,107	404	422%
Per boe (\$)	1.54	3.91	(61)%	1.92	1.10	75%

For the three months and year ended December 31, 2023, Lycos incurred \$0.6 million and \$2.1 million related to certain professional fees associated with acquisition activities. For the three months ended December 31, 2023, the Company incurred \$0.6 million associated DCEL Acquisition and the Offering which closed in the fourth quarter of 2023. For the year ended 2023, the Company incurred \$2.0 million related to the CDLP Acquisition, Wyatt Acquisition, DCEL Acquisition and the Offering and \$0.1 million associated with the upfront fee and legal costs related to the revolving credit facility entered on January 16, 2023. The comparable periods incurred \$0.4 million related to professional fees associated with the RTO transaction.

Finance Expense

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Accretion of decommissioning liabilities	305	136	124%	924	477	94%
Interest expense (income)	233	(1)	23400%	385	4	9525%
Interest on lease obligations	15	1	1400%	52	5	940%
	553	136	307%	1,361	486	180%
Per boe (\$)	1.46	1.31	11%	1.24	1.32	(6)%

The Company's finance expense for the three months and year ended December 31, 2023, was \$0.6 million and \$1.4 million compared to finance expense of \$0.1 million and \$0.5 million in the comparable periods. The increase in finance expense is primarily due to accretion of the decommissioning liabilities associated with the acquisitions and newly drilled wells combined with interest expense and standby fees on the Company's credit facility.

Other Income

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Other income	74	225	(67)%	630	646	(2)%
Per boe (\$)	0.20	2.18	(91)%	0.57	1.76	(68)%

Other income consists of interest income associated with cash on hand and in the comparative periods includes government grants earned for well site rehabilitation. For the three months and year ended December 31, 2023, the Company recognized \$74 thousand and \$0.6 million of other income, respectively, compared to \$0.2 million and \$0.6 million in the comparative periods.

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Taxes

The following table outlines the Company's estimated tax pools as at December 31, 2023:

(\$ in thousands)	December 31, 2023	Annual Deductibility
Undepreciated capital cost	5,205	Primarily 25% declining balance
Canadian exploration expense	11,135	100%
Canadian development expense	35,759	30% declining balance
Canadian oil and gas property expense	29,411	10% declining
Non-capital loss carry forward	75,359	100%
Share issue costs	5,386	20% straight line
Total	162,255	

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Deferred income tax expense (recovery)	1,921	-	100%	(8,920)	-	100%

Due to the deferred income tax liabilities recognized in the CDLP Acquisition, the Wyatt Acquisition and the DCEL Acquisition and the Q1 2023 recognition of the deferred tax assets that were unrecognized in the comparative periods, the Company has recognized a deferred income tax liability of approximately \$12.3 million as at December 31, 2023 and a corresponding deferred income tax recovery of \$8.9 million for the year ended December 31, 2023 as compared to \$nil in the comparable period. For the three months ended December 31, 2023, the Company recognized a deferred income tax expense of \$1.9 million compared to \$nil in the comparable period.

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

(\$ in thousands, except per share)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Cash flow from operating activities	14,235	910	1464%	26,143	5,392	385%
Adjusted funds flow from operations⁽¹⁾	11,382	(201)	5763%	31,834	5,956	434%
Net income	1,172	(14,948)	108%	24,719	3,671	573%
Per share - basic	\$ 0.02	\$ (0.93)	102%	\$ 0.58	\$ 0.32	81%
Per share - diluted	\$ 0.02	\$ (0.93)	102%	\$ 0.55	\$ 0.26	112%

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

The Company recorded net income of \$1.2 million (\$0.02 per basic and diluted share) and \$24.7 million (\$0.58 per basic and \$0.55 per diluted share) for the three months and year ended December 31, 2023 compared to net loss of \$14.9 million (\$0.93 per basic and diluted share) and \$3.7 million (\$0.32 per basic and \$0.26 per diluted share) in the comparable periods. The increase in net income for the three months ended December 31, 2023 as compared to the same period in 2022 is primarily due to higher petroleum and natural gas sales, realized and unrealized gains on financial derivatives, partially offset by higher royalties, operating expense and depletion and depreciation in the fourth quarter of 2023. In addition, the Company booked \$nil impairment or reversals in 2023.

The increase in net income for the year ended December 31, 2023 as compared to the same period in 2022 is primarily due to higher petroleum and natural gas sales, deferred income tax recovery, the gain on CDLP Acquisition, and \$nil loss on investment in associate in the current period due to the CDLP Acquisition, partially offset by higher royalties, operating expenses and depletion and depreciation.

Adjusted funds flow from operations for the three months and year ended December 31, 2023 was 5763% and 434% higher compared to the same periods in 2022. This was primarily due to an increase in petroleum and natural gas sales, partially offset by higher operating expenses, royalties and G&A expenses.

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Capital Expenditures

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2023	2022	% change	2023	2022	% change
Land and geological and geophysical	1,904	171	1013%	5,347	264	1925%
Drilling and completions	10,707	3,532	203%	40,774	6,702	508%
Equipping and facilities	2,539	1,080	135%	8,947	2,323	285%
Other	3,370	706	377%	7,928	802	889%
Exploration and development	18,520	5,489	237%	62,996	10,091	524%
Acquisition through business combination, net of cash acquired	12,954	-	100%	67,840	-	100%
Property dispositions	-	-	0%	-	(316)	(100)%
Capital expenditures⁽¹⁾	31,474	5,489	473%	130,836	9,775	1238%

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

During the three months ended December 31, 2023, the Company invested a total of \$31.5 million on capital expenditures including \$13.0 million cash consideration, net of closing adjustments and cash acquired, on the DCEL Acquisition. The strategic acquisition provided 35,382 net acres of land suitable for multi-lateral development in the Greater Lloydminster area and a newly producing multi-lateral well. Expenditures on exploration and development included \$1.9 million on lease acquisitions and seismic, \$10.7 million on drilling and completions, \$2.5 million on equipping and facilities, and \$3.4 million on other costs.

During the year ended December 31, 2023, the Company invested a total of \$130.8 million on capital expenditures including cash consideration, net of cash acquired, of \$48.8 million on the CDLP Acquisition, \$6.0 million on the Wyatt Acquisition, and \$13.0 million on the DCEL Acquisition for total acquisition expenditures of \$67.8 million. Exploration and development expenditures of \$63.0 million consisted of \$5.3 million on lease acquisitions and seismic, \$40.8 million on drilling and completions, \$8.9 million on equipping and facilities, and \$7.9 million related to other costs. Of the total exploration and development expenditures, the Company incurred \$4.0 million to accelerate Lycos' 2024 drilling program.

The Company's fourth quarter exploration and development program included two multi-leg fishbone wells, one half-fishbone well and two multi-lateral wells (including one new generation wine rack well) that were brought onstream in the fourth quarter of 2023.

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

	Three months ended December 31,				Year ended December 31,			
	2023		2022		2023		2022	
	Gross ⁽²⁾	Net ⁽²⁾	Gross	Net	Gross ⁽¹⁾	Net ⁽¹⁾	Gross	Net
Crude oil	5.0	5.0	2.0	2.0	17.0	17.0	2.0	2.0
Disposal	0.0	0.0	-	-	2.0	2.0	-	-
Total	5.0	5.0	2.0	2.0	19.0	19.0	2.0	2.0
Success rate	100%	100%	N/A	N/A	100%	100%	N/A	N/A

(1) Of the 19 (19.0 net) crude oil wells drilled during the year ended December 31, 2023, 1 (1.0 net) well is scheduled to be converted to injection in 2024 and 16 (16.0 net) wells were all brought on production during the year.

(2) All 5 (5.0 net) crude oil wells drilled during the three months ended December 31, 2023 were brought on production in the fourth quarter of 2023.

Investment in Associate

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

On February 28, 2023, Lycos completed the CDLP Acquisition, acquiring the remaining 78.15% interest in the Partnership from its partner through a wholly owned subsidiary with purchase consideration equal to \$50.0 million in cash and the GORR. This transaction was accounted for as a business combination through a step

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acquisition in accordance with IFRS 3. Accordingly, the Company remeasured its investment in the Partnership immediately before the acquisition date. The fair value of net assets acquired was estimated at \$67.5 million (or \$14.8 million for the Company's 21.85% share in the Partnership), resulting in a gain of \$11.4 million when compared to the carrying value of the investment of \$3.7 million (including the \$0.3 million unrecognized portion of transaction costs). Lycos and the Partnership were subsequently amalgamated on May 1, 2023.

Refer to note 6 of the Annual Financial Statements for additional information.

Share Capital Common Shares

The Company's authorized share capital consists of an unlimited number of common shares (the "Common Shares") and an unlimited number of preferred shares, issuable in series (of which nil preferred shares are outstanding).

The following table summarizes the Company's issued and outstanding Common Shares for the year ended December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year ⁽¹⁾	39,768,500	\$ 177,032	9,812,325	\$ 113,332
Shares issued as part of the Wyatt acquisition ⁽¹⁾	635,640	2,536	-	-
Shares issued as part of the DCEL acquisition	2,816,907	10,704	-	-
Shares issued as part of the offering	9,860,100	35,003	-	-
Share issue costs, net of deferred income tax	-	(983)	-	(3,402)
Shares issued as part of subscription receipt private placement ⁽¹⁾	-	-	23,660,751	53,000
Shares issued as part of unit private placement ⁽¹⁾	-	-	5,357,143	12,000
Shares issued as part of subscription receipt unit private placement - advisory fee ⁽¹⁾	-	-	349,108	782
Acquired on reverse takeover ⁽¹⁾	-	-	589,173	1,320
Balance, end of year	53,081,147	\$ 224,292	39,768,500	\$ 177,032

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

The Company issued 635,640 Common Shares in connection with the Wyatt Acquisition and 2,816,907 in connection with the DCEL Acquisition. On October 16, 2023, the Company completed a bought-deal financing of including the exercise of the over-allotment option (the "Offering"). Pursuant to the Offering, the Company issued a total of 9,860,100 shares at a price of \$3.55 per common share for gross proceeds of approximately \$35.0 million. The Company recorded \$2.4 million in share issue costs related to commission and fees, net of tax recovery of \$1.5 million.

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

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

As at April 18, 2024, the Company had 53,081,147 Common Shares outstanding.

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<i>(in thousands)</i>	As at April 18, 2024
Outstanding securities at April 18, 2024	
Common shares	53,081
Stock options	3,754
Warrants	5,706

Warrants

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

Liquidity and Capital Resources

As at December 31, 2023, the Company's capital structure is comprised of net debt of \$17.1 million and shareholders' equity of \$184.2 million. Lycos' net debt fluctuated from a net debt of \$29.0 million at September 30, 2023 to \$17.1 million as at December 31, 2023 primarily due to the Offering, partially offset by the DCEL acquisition and an acceleration of its capital expenditures program.

The Company expects to have adequate liquidity to execute on its short-term and longer-term growth strategy through a combination of cash provided by operating activities, proceeds from the bought deal financing, and its \$50.0 million credit facility. Alternatively, the Company may issue equity as consideration to complete any future acquisitions and undertake its exploration and development activities. Lycos maintains the flexibility to adjust its capital spending to manage working capital requirements.

Credit Facility

As at December 31, 2023, the Company had an uncommitted demand revolving credit facility with the National Bank of Canada ("the Lender") for up to \$50.0 million, of which \$35.0 million is immediately available for general corporate purposes and an additional \$15.0 million is available at the discretion of the Lender. The next borrowing base review is expected to be completed on or about May 31, 2024. All amounts drawn during the year were paid off as at December 31, 2023.

Interest rates vary depending on the ratio of Net Debt to Cash Flow (as such term is defined in the lending agreement, a copy of which may be accessed on the Company's SEDAR+ profile at www.sedarplus.ca). As at December 31, 2023, the Company had an interest rate of prime plus 1.5% per annum on the credit facility.

The credit facilities are secured by a demand debenture in the amount of \$100.0 million. The Company is subject to a financial covenant, whereby the Company's ratio of adjusted working capital (as such term is defined in the lending agreement), including any undrawn availability under the revolving facility as a current asset, shall not be less than 1.00:1.00. Repayments of principal are not required until the Lender demands, provided that the borrowings do not exceed the authorized credit facility and the Company is compliant with all covenants. As at December 31, 2023, the Company was compliant with all covenants.

Contractual Obligations and Commitments

Commitments exist under various agreements and operations in the normal course of the Company's business, none of which are expected to have a significant impact on the Company's financial statements or operations.

On November 24, 2022, Lycos entered into a head office sublease agreement for a period of two years and eight months, commencing on May 1, 2023. The Company took possession of the head office space in January of 2023. The sublease agreement includes variable operating costs, which are a non-lease component, and will be recorded directly to general and administrative costs as incurred. Future minimum payments relating to variable operating costs as of December 31, 2023, are as follows:

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	December 31, 2023
Less than 1 year	\$ 576
1-2 years	576
Total commitments	\$ 1,152

In connection with the DCEL Acquisition, the Company assumed certain commitments to drill three wells in the Greater Lloydminster area. The Company intends to fulfill these commitments within its normal course development drilling program. The Company drilled one of the three wells required to meet the commitments in the first quarter of 2024.

2024 Guidance

The following table summarizes Lycos' current 2024 guidance released on April 3, 2024. Lycos expects to fund capital expenditures through forecasted cash flows from operating activities and its credit facility.

	Prior 2024 Guidance ⁽²⁾	Updated 2024 Guidance ⁽³⁾
	Year Ended December 31, 2024	Year Ended December 31, 2024
Annual average production (boe/d)	4,700 boe/d (99% oil)	4,800 boe/d (99% oil)
Average Q4 2024 production (boe/d)	5,500 boe/d (99% oil)	5,700 boe/d (99% oil)
Capital expenditures ⁽¹⁾	\$61.0 million	\$66.0 million
Decommissioning expenditures	\$1.8 million	\$1.8 million
Adjusted funds flow from operations ⁽¹⁾	\$61.0 million	\$65.8 million
Adjusted working capital (net debt), end of year ⁽¹⁾	(\$20.0) million	(\$19.8) million
Net debt to adjusted funds flow from operations ratio, end of year	0.3X	0.3X

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

⁽²⁾ Prior guidance as updated on February 1, 2024

⁽³⁾ 2024 Budget numbers are based on 2024 average pricing assumptions of: US\$77.58 bbl WTI; (US\$18.68) WCS differential; and \$1.35 CAD/USD

Subsequent Events

Subsequent to December 31, 2023, the Company entered into the following financial derivative contracts:

Type	Type	Term	Volume	Price/Unit
WTI	Swap	April 1, 2024 to June 30, 2024	250 bbl/d	CAD \$100.00
WCS	Differential	April 1, 2024 to September 30, 2024	250 bbl/d	USD (\$13.60)
WTI	Swap	February 1, 2024 to March 31, 2024	250 bbl/d	CAD \$102.75
WTI	Swap	April 1, 2024 to June 30, 2024	250 bbl/d	CAD \$101.88
WTI	Swap	July 1, 2024 to September 30, 2024	250 bbl/d	CAD \$100.18
WTI	Swap	March 1, 2024 to March 31, 2024	250 bbl/d	CAD \$104.50
WTI	Swap	April 1, 2024 to April 30, 2024	250 bbl/d	CAD \$104.00
WTI	Swap	April 1, 2024 to April 30, 2024	250 bbl/d	CAD \$107.22
WCS	Swap	May 1, 2024 to June 30, 2024	500 bbl/d	CAD \$92.40
WCS	Differential	July 1, 2024 to September 30, 2024	500 bbl/d	USD (\$10.85)
WCS	Swap	July 1, 2024 to September 30, 2024	250 bbl/d	CAD \$112.40

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Quarterly Results

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

	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial (thousands of dollars, except share data)								
Total petroleum and natural gas sales, net of blending ⁽¹⁾	24,748	24,087	17,475	10,287	6,341	9,621	9,040	7,803
Cash flow from operating activities	14,235	7,534	9,022	(3,424)	910	3,164	(769)	2,087
Adjusted funds flow from operations ⁽¹⁾	11,382	10,826	7,004	2,622	(201)	1,389	2,342	2,426
Net income (loss)	1,172	1,699	36	21,812	(14,948)	15,646	1,626	1,347
Per share - basic	\$ 0.02	\$ 0.04	\$ 0.00	\$ 0.55	\$ (0.93)	\$ 1.59	\$ 0.17	\$ 0.14
Per share - diluted	\$ 0.02	\$ 0.04	\$ 0.00	\$ 0.52	\$ (0.93)	\$ 1.59	\$ 0.17	\$ 0.14
Adjusted working capital (net debt) ⁽¹⁾	(17,057)	(29,015)	(10,319)	(4,982)	56,835	636	2,199	887
Capital expenditures ⁽¹⁾	31,474	26,990	11,909	61,687	5,489	2,924	1,089	306
Weighted average shares outstanding (thousands)								
Basic	50,876	39,976	39,769	39,769	15,999	9,812	9,812	9,812
Diluted	53,055	42,143	41,903	42,300	15,999	9,812	9,812	9,812
Shares outstanding, end of period (thousands)								
Basic	53,081	40,404	39,769	39,769	39,769	9,812	9,812	9,812
Diluted	55,260	42,571	41,903	42,300	39,769	9,812	9,812	9,812
Operational								
Average daily production								
Crude oil (bbls/d)	4,081	3,017	2,890	1,919	1,109	1,075	892	895
Natural gas (mcf/d)	238	155	110	125	85	49	67	45
Total (boe/d)	4,121	3,043	2,908	1,940	1,123	1,083	903	903

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

December 2022 was a transformational period for Lycos following the RTO transaction, the Company's \$65.0 million financing and the reconstitution of management and the Board of Directors. Exiting the year with \$56.8 million of adjusted working capital and \$59.6 million of cash on hand, the Company was well positioned for significant growth in 2023. Lycos continued its growth momentum in 2023 by completing the CDLP Acquisition, the Wyatt Acquisition and the DCEL Acquisition consisting of heavy oil assets in its Lloydminster and Greater Lloydminster area, concurrent with the Offering and a significant capital expenditures program, rig-releasing 19.0 net crude oil wells year to date. For the 2022 fiscal year, the Company drove most of its growth from the acquisition of its legacy Lloydminster assets, which the Company purchased at the end of Q3 2021. Capital expenditures over the 2022 year and during 2023 have been targeted toward proving up the Company's drilling technology associated with a multi-leg "fishbone" wells and multi-lateral wells. In addition, the Company pursued a reactivation program of previously shut-in wells and the associated equipping and facility expenditures to take advantage of the higher commodity price environment and optimization projects to reduce operating expenses. Lycos grew average daily production to 4,121 boe/d in the fourth quarter of 2023 from 1,123 boe/d in the fourth quarter of 2022. The recovery of crude oil prices and the increase in the Company's daily average production has resulted in an increase in sales and cash flow from operating activities over the periods.

Changes in Accounting Policies

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

Off-Balance Sheet Arrangements

All off-balance sheet arrangements are in the normal course of business. Refer to the commitments under the heading "Contractual Obligations and Commitments".

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

This document contains the terms "net operating expenses", "operating netback", "total crude oil, petroleum and natural gas revenue, and total petroleum and natural gas sales, net of blending" and "royalty rate" which are non-IFRS financial measures, or ratios if calculated on a per boe or percentage basis. The Company uses these measures to help evaluate Lycos' performance. These non-IFRS financial measures and ratios do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. This document also contains the capital management measures of "adjusted funds flow from operations", "adjusted working capital (net debt)" and "total capital expenditures".

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Management believes that the presentation of these non-IFRS, capital management and other financial measures provides useful information to shareholders and investors in understanding and evaluating the Company's ongoing operating performance.

Adjusted Funds Flow from Operations

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

The Company reconciles adjusted funds flow from operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with IFRS as follows:

(\$ in thousands)	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Cash flow from operating activities	14,235	910	26,143	5,392
Change in non-cash working capital	(3,617)	(1,523)	2,039	132
Funds flow from operations	10,618	(613)	28,182	5,524
Decommissioning costs incurred	182	8	1,545	28
Transaction costs	582	404	2,107	404
Adjusted funds flow from operations	11,382	(201)	31,834	5,956
Per boe (\$)	30.03	(1.94)	28.99	16.25

Adjusted Working Capital (Net Debt)

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

(\$ in thousands)	December 31, 2023	December 31, 2022
Working capital	(17,798)	55,835
Current portion of decommissioning liabilities	1,500	1,000
Financial derivative receivable	(759)	-
Adjusted working capital (net debt)	(17,057)	56,835

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(\$ in thousands)	Three months ended		Year ended	
	December 31,		December 31,	
	2023	2022	2023	2022
Crude oil	30,337	8,342	95,414	39,343
Blending expense	5,728	2,505	19,824	8,189
Crude oil, net of blending	24,609	5,837	75,590	31,154
Natural gas	52	37	134	116
Total petroleum and natural gas revenues, net of blending	24,661	5,874	75,724	31,270

Total Petroleum and Natural Gas Sales, Net of Blending

Management uses 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 and transportation expense in the Annual Financial Statements.

Royalty Rate

The Company's royalty rate is calculated as total royalties as a percentage of total petroleum and natural gas revenues, net of blending.

Net Operating Expenses

Management uses net operating expenses to analyse operating performance. Net operating expenses are determined by deducting processing income (see section titled "Net Operating Expenses" above) primarily generated by third party volumes at processing facilities where the Company has an ownership interest. However, the Company's principal business is not that of a midstream entity whose activities are dedicated to earning processing and other infrastructure payments. Where the Company has excess capacity at its facilities, it will look to process third party volumes as a means to reduce the cost of operating/owning the facility. As such, third party processing revenue is netted against operating costs in the MD&A.

Operating netback

Operating netback is total petroleum and natural gas revenues, net of blending, less royalties, less net operating expenses and transportation expenses, excluding the effects of financial derivatives. These metrics can also be calculated on a per boe basis, which results in them being considered a non-IFRS financial ratio. Management considers operating netback an important measure to evaluate Lycos' operational performance, as it demonstrates field level profitability relative to current commodity prices. Operating netback, including financial derivatives is defined as operating netback plus realized gains or losses on financial derivatives.

Capital Expenditures

Management uses the term "capital expenditures" as a measure of capital investment in exploration and production activity, as well as property acquisitions and dispositions, as such spending is compared to the Company's annual budgeted capital expenditures. The most directly comparable IFRS measure for total capital expenditures is cash flow used in investing activities. Capital expenditures represents capital expenditures – exploration and evaluation, capital expenditures – property, plant and equipment, acquisition through business combination and proceeds on disposition in the Company's Annual Financial Statements. A summary of the reconciliation of cash flow used in investing activities to capital expenditures is set forth below:

(\$ in thousands)	Three months ended		Year ended	
	December 31,		December 31,	
	2023	2022	2023	2022
Net cash used in investing activities	33,129	5,327	114,331	8,280
Change in non-cash working capital	(1,655)	162	16,505	1,495
Capital expenditures	31,474	5,489	130,836	9,775

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Advisories

BOE Presentation

The Company uses the following industry terms in the MD&A: "bbl" refers to barrels, "bbl/d" refers to barrels per day, "mbbl" refers to thousand barrels, "mcf" refers to thousand cubic feet, "mcf/d" refers to thousand cubic feet per day, "mmcf" refers to million cubic feet, "MMbtu" refers to one million British thermal units, "boe" refers to barrel of oil equivalent, "boe/d" refers to barrels of oil equivalent per day, and "mboe" refers to thousand barrels of oil equivalent. Disclosure provided herein in respect of a boe may be misleading, particularly if used in isolation. A boe conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent has been used in the calculation of the boe amounts in the MD&A. The boe conversion rate is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Product Type Information

The Company has disclosed natural gas liquids ("NGLs") product type with crude oil due to the insignificant magnitude of NGLs. Throughout this MD&A, "crude oil" therefore refers to heavy crude oil and NGLs combined, as such terms are defined by National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*. Natural gas refers to conventional natural gas.

Supplementary Financial Measures

Per boe disclosures for petroleum and natural gas revenues, royalties, net operating expenses, transportation expenses, G&A expenses, financing expenses, and depletion, depreciation and amortization, impairment (reversal) are supplementary financial measures that are calculated by dividing each of these respective IFRS measures by the Company's total production volumes for the period.

Average realized prices for crude oil and natural gas are supplementary financial measures calculated by dividing each of these components of petroleum and natural gas revenues by their respective production volumes for the period.

Royalties as a percentage of petroleum and natural gas revenues is a supplementary financial measure calculated by dividing royalties by petroleum and natural gas revenues.

Critical Accounting Estimates

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these financial statements:

(i) Business combinations

Management's determination of whether a transaction constitutes a business combination is determined based on the criteria in IFRS 3 Business Combinations ("IFRS 3"), specifically if the assets acquired meet the definition of a business requiring the acquisition method of accounting for a business combination. The determination of fair value often requires management to make assumptions and estimates about future events.

The assumptions and estimates with respect to determining the fair value of property, plant and equipment ("PP&E") and exploration and evaluation ("E&E") assets acquired generally require the most judgment and include estimate of proved and probable petroleum and natural gas reserves acquired, forecast benchmark commodity prices, discount rates, future costs and the assessment of recent comparable market transactions. Management's judgment is also required in determining the fair value of decommissioning liabilities assumed associated with the properties acquired. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill or bargain purchase gain. Future net income could also be affected as the fair value on initial recognition impacts carrying amounts for assets and liabilities.

(ii) Identification of cash-generating units ("CGU")

The Company's assets are aggregated into CGUs, for the purpose of calculating impairment, based on their ability to generate largely independent cash flows. The determination of these CGUs was based on management's judgment regarding shared infrastructure, geographical proximity, petroleum type and similar

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exposure to market risk and materiality. By their nature, these estimates and assumptions are subject to judgement and may impact the carrying value of the Company's assets in future periods.

(iii) Impairment and impairment reversals of petroleum and natural gas assets

Judgments are required to assess when internal or external indicators of impairment or impairment reversal exist and impairment testing is required. Management considers internal and external sources of information including forecasted petroleum and natural gas commodity prices, forecasted production volumes, estimated recoverable quantities of proved and probable petroleum and natural gas reserves and rates used to discount the related future cash flow estimates. Judgement is required to assess these factors when determining if the carrying amount of an asset or CGU is impaired, or in the case of a previously impaired asset or CGU, whether the carrying amount of the asset or CGU has been restored.

(iv) Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of proved and probable petroleum and natural gas reserves have been found in assessing economic and technical feasibility.

Key sources of estimation uncertainty

The following are key estimates and the assumptions made by management affecting the measurement of balances and transactions in these Annual Financial Statements.

(i) Reserves

The Company uses estimated proved and probable petroleum and natural gas reserves to deplete its development and production assets included in property, plant and equipment, to assess for indicators of impairment or impairment reversal on each of the Company's CGUs, and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of the CGUs, to determine the abandonment date of decommissioning obligations, and in a business combination, to estimate the fair value of assets acquired and liabilities assumed. Accordingly, changes in circumstances may impact these estimates which could have a material financial impact in future periods.

The estimate of proved and probable petroleum and natural gas reserves include significant estimates and assumptions related to forecasted petroleum and natural gas commodity prices, forecasted production, forecasted operating costs, forecasted royalty costs, and forecasted future development costs. It also requires interpretation of geological and geophysical models to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological, and technical factors used to estimate reserves may change from period to period. Changes in reported proved and probable petroleum and natural gas reserves can impact the carrying values of the Company's property, plant and equipment, the calculation of depletion, and the recognition of deferred tax assets due to changes in expected future cash flows. The estimate of proved and probable petroleum and natural gas reserves from the Company's property, plant and equipment are estimated by external independent qualified reserves evaluators at least annually.

The Company's proved and probable petroleum and natural gas reserves represent the estimated quantities of petroleum, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially producible. Such petroleum and natural gas reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all of the expected petroleum and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Petroleum and natural gas reserves may only be considered proved and probable if producibility is supported by either production or conclusive formation tests. The Company's proved and probable petroleum and natural gas reserves are determined pursuant National Instrument 51-101, Standard of Disclosures for Oil and Gas Activities and the Canadian Oil and Gas Evaluation Handbook.

(ii) Decommissioning obligations

The Company estimates future remediation costs of petroleum and natural gas assets including well sites, gathering systems and processing facilities. In most instances, removal of assets occurs many years into

MANAGEMENT'S DISCUSSION AND ANALYSIS

the future. This requires assumptions regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

(iii) Income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in Consolidated Statement of Income and Comprehensive Income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

(iv) Business combinations

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of petroleum and natural gas properties based upon the estimation of recoverable quantities of proved and probable petroleum and natural gas reserves being acquired and the discount rates applied.

Forward Looking Information and Statements

This MD&A may include forward-looking statements or forward-looking information under applicable securities legislation. Such forward-looking statements or information are included for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project", "budget", "forecast", "should", "will", "may" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or forward-looking information in this MD&A include, but are not limited to, statements or information with respect to: (i) Lycos' business strategy and objectives; (ii) statements with respect to the performance characteristics of Lycos' oil and natural gas properties, including anticipated production, capital expenditures, drilling plans, adjusted funds flow and adjusted working capital (net debt); (iii) Lycos' expectation and plans regarding drilling and the completions of wells; (iv) Lycos' expectations of royalty expenses as a percentage of revenue; (v) Lycos' 2024 guidance related to expected annual average production, annual Q4 2024 production, capital expenditures, adjusted annual funds flow from operations and exit adjusted working capital (net debt), as well as management's expectations surround the Company's 2024 capital program; (vi) Lycos' crude oil pricing assumptions and Canadian to US dollar exchange rates; (vii) capital resources and liquidity, including the Company's expectations regarding sources of funding for future development capital expenditures (including the availability of the Company's credit facility); (viii) the Company's expectations in respect of G&A expenses; (ix) the Company's expectations in respect of commodity prices and WCS differentials; (x) expectations in respect of the Company's sweeper fishbone wells and wine rack wells, including anticipated benefits and results; (xi) the Company's financial hedging program including the use of financial derivatives to manage fluctuations in commodity prices and the effects thereof; and (xii) ability of the Company to achieve drilling success consistent with management's expectations. In addition, the statements contained herein relating to "reserves" and "resources" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves or resources described can be profitably produced in the future. The recovery, reserves and resources estimates provided herein are internal estimates only and there is no guarantee that the estimated reserves or resources will be recovered. Therefore, actual results may differ materially from those anticipated in the forward-looking statements. Lycos disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Assumptions

Forward-looking statements or information are based on a number of factors and assumptions which have been used in developing such statements and information, but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this MD&A, assumptions have been made regarding, among other things: expectations and assumptions concerning the business plan of the Company; the accuracy of geological and geophysical data and interpretation of that data; estimated decline rates; the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the timely

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receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability of the Company to operate in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms; field production rates and decline rates; the successful integration of the recently acquired assets into Lycos' operations (including the assets acquired in connection with the CDLP Acquisition, the Wyatt Acquisition and the DCEL Acquisition); the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing of and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate transportation for products; future oil and natural gas prices; foreign currency exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; the impact of inflation on costs and interest rates; the ability of the Company to successfully market its oil and natural gas products; the continued availability of capital and skilled personnel; drilling results; and prevailing commodity prices, price volatility, price differentials and the actual prices received for the Company's products. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.

Risks and uncertainties

Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements or information. These risks and uncertainties which may cause actual results to differ materially from the forward-looking statements or information include, among other things: the ability of management to execute its business plan; general economic and business conditions; the risk of instability affecting the jurisdictions in which the Company operates; risks associated with the oil and natural gas industry in general (e.g. operational risks in exploring for, developing and producing crude oil and natural gas; market demand; changes to supply and demand for oil and natural gas; uncertainty of reserves estimates; uncertainty of estimates and projections relating to production, costs and expenses, including increased operating and capital costs due to inflationary pressures); failure to realize the anticipated benefits of the Consolidation, the CDLP Acquisition, the Wyatt Acquisition and/or the DCEL Acquisition; unforeseen difficulties integrating recently acquired assets into Lycos' operations; the possibility that government policies or laws may change or governmental approvals may be delayed or withheld; risks and uncertainties involving geology of oil and natural gas deposits; the ability of the Company to add production and reserves through acquisition, development and exploration activities; the Company's ability to enter into or renew leases; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the ability to access sufficient capital from internal and external sources; the uncertainty of foreign currency exchange rates and interest rates; risks inherent in the Company's marketing operations, including credit risk; uncertainty in amounts and timing of royalty payments; health, safety and environmental risks; adverse weather or break-up conditions, including severe weather events and natural disasters such as fires, droughts and flooding; risks associated with existing and potential future law suits and regulatory actions against the Company; uncertainties as to the availability and cost of financing; financial risks affecting the value of the Company's investments; actions of OPEC and OPEC+ members; the impacts on the Company of the military conflict between Russia and Ukraine as well as the war between Israel and Hamas; and the impact of oil differentials on the Company's financial position. Readers are cautioned that the foregoing list is not exhaustive of all possible risks and uncertainties.

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

These known and unknown risks and uncertainties may cause actual financial and operating results, performance, levels of activity and achievements to differ materially from those expressed in, or implied by, such forward-looking statements. Accordingly, there is no assurance that the expectations conveyed by the forward-looking statements will prove to be correct. All subsequent forward-looking statements, whether written by or orally attributable to the Company or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements.

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Additional risks and information on risk factors are included in the Company's Annual Information Form for the year ended December 31, 2023, which is available on the Company's website at www.lycosenergy.com and under the Company's profile on SEDAR+ at www.sedarplus.ca.

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Corporate Information

Board of Directors

KEVIN OLSON ⁽¹⁾ ⁽²⁾ ⁽³⁾
Chairman of the Board of Directors
Calgary, Alberta

BRUCE BEYNON ⁽³⁾
Independent Director
VP Light Oil, Athabasca Oil Corp.
Calgary, Alberta

GERI GREENALL ⁽¹⁾
Independent Director
COO, Cascade Trading Ltd.
Calgary, Alberta

ALI HORVATH ⁽¹⁾ ⁽²⁾
Independent Director
VP Finance & CFO, Headwater Exploration Inc.
Calgary, Alberta

KEL JOHNSTON ⁽²⁾ ⁽³⁾
Independent Director
CEO, Wylander Crude Corp.
Calgary, Alberta

Officers

DAVE BURTON, P.Eng., M.Eng.
President & CEO

KYLE BOON, P.Tech (Eng.)
Chief Operating Officer

LINDSAY GOOS, CPA-CA, CPHR
Vice President Finance & CFO

JAMIE CONBOY, P.Geo.
Vice President, Exploration

BARRET HENSCHER, P.Eng.
Vice President, Production

JEFF RIDEOUT
Vice President, Land

SONY GILL
Corporate Secretary
Stikeman Elliott LLP

Special Advisor to the Board

NEIL ROSZELL
Executive Chairman, Headwater Exploration Inc.
Calgary, Alberta

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Auditors

KPMG LLP
Chartered Professional Accountants
Calgary, Alberta

Independent Reservoir Consultants

Sproule Associates Limited
Calgary, Alberta

- (1) Audit Committee
(2) Corporate Governance and Compensation Committee
(3) Reserves, Environment and Health and Safety Committee