



Q3 2025


LYCOS ENERGY INC.

TSXV: LCX

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis (the "MD&A") as provided by the management team ("Management") of Lycos Energy Inc. ("Lycos" or the "Company") is dated November 18, 2025, and should be read in conjunction with the unaudited condensed interim financial statements for the three and nine months ended September 30, 2025 and 2024 and the notes thereto (the "Interim Financial Statements") and the audited financial statements as at and for the year ended December 31, 2024 and 2023, and the notes thereto (the "Annual Financial Statements"). The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles which require publicly accountable enterprises to prepare their financial statements in accordance with International Financial Reporting Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are referenced in Canadian dollars unless otherwise stated. Additional information relating to Lycos, including the Company's Annual Information Form for the year ended December 31, 2024, is available on the Company's website at www.lycosenergy.com and under the Company's profile on SEDAR+ at www.sedarplus.ca. This MD&A should also be read in conjunction with Lycos' disclosure under "Forward-Looking Information and Statements" below.

Description of the Business

Lycos is a Canadian resource company engaged in the exploration for and development of petroleum and natural gas production in western Canada. The Company is currently developing heavy oil assets, targeting the Mannville stack, in Central Alberta.

Q3 2025 Highlights

Highlights for the three months ended September 30, 2025, include:

- Average production of 2,958 boe/d (99% crude oil) generated adjusted funds flow from operations⁽¹⁾ of \$9.6 million in Q3 2025 compared to \$17.0 million in Q3 2024, representing a 44% decrease. However, adjusted funds flow from operations⁽¹⁾ per boe declined only 8% to \$35.12 from \$38.22, demonstrating improved operating efficiency despite lower production volumes.
- Net operating expense⁽¹⁾ per boe decreased 30% and 19%, respectively, to \$15.48 in Q3 2025 from \$22.08 in the comparable period of 2024 and \$18.99 from the prior quarter of 2025. The reduction in operating costs is due to operational efficiencies and the Southwest Saskatchewan disposition (the "SW Saskatchewan Disposition"), the Frog Lake disposition (the "Frog Lake Disposition") and the Lloydminster, Saskatchewan disposition (the "Non-Core Saskatchewan Disposition"). The disposed properties had higher net operating expenses per boe, averaging approximately \$43.27/boe, \$49.20/boe and \$46.86/boe, respectively.
- Exit net debt⁽¹⁾ of \$11.8 million, representing 0.3X annualized net debt to adjusted funds flow from operations ratio⁽¹⁾.
- Executed a purchase and sale agreement (the "Elnora PSA") to dispose of certain properties in Elnora, Alberta for total cash consideration of \$0.3 million, subject to closing adjustments. The disposition closed on October 1, 2025 and the properties were classified as held for sale on September 30, 2025. The property had higher net operating expenses, averaging approximately \$60.80/boe.
- Subsequent to September 30, 2025, the Company entered into and closed a purchase and sale agreement to dispose of certain assets in the Lindbergh, Moose Lake and Fishing Lake areas of Alberta (the "North Disposition") for total cash consideration of \$60.0 million, subject to customary closing adjustments. The North Disposition was completed on October 15, 2025, with an effective date of September 1, 2025. The Company utilized \$9.0 million of the net proceeds towards debt repayment and is in the process of distributing \$47.9 million of the net proceeds as a return of capital

MANAGEMENT'S DISCUSSION AND ANALYSIS

to shareholders in the amount of \$0.90 per Common Share (the "Return of Capital"). As previously announced, the Return of Capital will be paid on November 28, 2025.

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

Third Quarter Operational and Financial Highlights

(\$ in thousands, except per share)	Three months ended			Nine months ended		
	September 30, 2025	2024	% change	September 30, 2025	2024	% change
Total petroleum and natural gas sales, net of blending⁽¹⁾	19,379	33,986	(43)%	69,366	93,527	(26)%
Cash flow from operating activities	10,370	19,764	(48)%	31,422	37,893	(17)%
Per share - basic	\$ 0.19	\$ 0.37	(49)%	\$ 0.59	\$ 0.71	(17)%
Per share - diluted	\$ 0.19	\$ 0.36	(47)%	\$ 0.59	\$ 0.69	(14)%
Adjusted funds flow from operations⁽¹⁾	9,558	17,005	(44)%	31,698	44,623	(29)%
Per share - basic	\$ 0.18	\$ 0.32	(44)%	\$ 0.60	\$ 0.84	(29)%
Per share - diluted	\$ 0.18	\$ 0.31	(42)%	\$ 0.60	\$ 0.81	(26)%
Net income (loss)⁽³⁾	2,465	3,706	(33)%	(49,774)	12,537	(497)%
Per share - basic	\$ 0.05	\$ 0.07	(29)%	\$ (0.93)	\$ 0.24	(488)%
Per share - diluted	\$ 0.05	\$ 0.07	(29)%	\$ (0.93)	\$ 0.23	(504)%
Capital expenditures⁽¹⁾ - exploration & development	1,413	17,281	(92)%	29,686	57,989	(49)%
Capital expenditures⁽¹⁾ - net acquisitions & dispositions	1,413	-	100%	24,620	-	100%
Adjusted working capital (net debt)⁽¹⁾	(11,796)	(31,727)	(63)%	(11,796)	(31,727)	(63)%
Weighted average shares outstanding (thousands)						
Basic	53,238	53,215	0%	53,238	53,134	0%
Diluted	53,238	54,818	(3)%	53,238	54,910	(3)%
Average daily production:						
Crude oil (bbls/d)	2,915	4,728	(38)%	3,546	4,383	(19)%
Natural gas (mcf/d)	260	651	(60)%	639	360	78%
Total (boe/d)	2,958	4,836	(39)%	3,652	4,443	(18)%
Realized prices:						
Crude oil (\$/bbl) ⁽²⁾	72.24	77.96	(7)%	71.44	77.73	(8)%
Natural gas (\$/mcf)	0.19	0.45	(58)%	1.15	0.72	60%
Total (\$/boe)	71.21	76.27	(7)%	69.57	76.74	(9)%
Operating netback (\$/boe)⁽¹⁾						
Petroleum and natural gas revenues⁽²⁾	71.21	76.27	(7)%	69.57	76.74	(9)%
Realized gain (loss) on financial derivatives	(0.15)	0.31	(148)%	(0.44)	(0.20)	120%
Royalties	(11.65)	(11.10)	5%	(10.81)	(11.11)	(3)%
Net operating expenses⁽¹⁾	(15.48)	(22.08)	(30)%	(19.49)	(23.26)	(16)%
Transportation expenses	(3.26)	(1.29)	153%	(2.38)	(1.49)	60%
Operating netback, including financial derivatives (\$/boe)⁽¹⁾	40.67	42.11	(3)%	36.45	40.68	(10)%
Adjusted funds flow from operations (\$/boe)⁽¹⁾	35.12	38.22	(8)%	31.79	36.65	(13)%

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

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

(3) The nine months ended September 30, 2024 includes a non-cash loss on disposals of \$41.2 million and a non-cash impairment loss of \$23.2 million

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Production

<i>(6:1 boe conversion)</i>	Three months ended September 30,			Nine months ended September 30,		
	2025	2024	% change	2025	2024	% change
Daily production:						
Crude oil (bbls/d)	2,915	4,728	(38)%	3,546	4,383	(19)%
Natural gas (mcf/d)	260	651	(60)%	639	360	78%
Total (boe/d)	2,958	4,836	(39)%	3,652	4,443	(18)%
% Crude oil	99%	98%	1%	97%	99%	(2)%

Production for the three and nine months ended September 30, 2025, averaged 2,958 boe/d (99% crude oil) and 3,652 boe/d (97% crude oil), a decrease of 39% and 18%, respectively, as compared against production of 4,836 boe/d (98% crude oil) and 4,443 (99% crude oil) in the comparable periods of 2024.

The production decrease for both the three and nine months ended September 30, 2025 is related to the SW Saskatchewan Disposition (325 boe/d), the Frog Lake Disposition (130 boe/d) and the Non-Core Saskatchewan Disposition (470 boe/d), respectively, combined with natural declines and the absence of initial flush production associated with new wells due to lower exploration and development expenditures in the current periods.

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

Petroleum and Natural Gas Sales

<i>(\$ in thousands)</i>	Three months ended September 30,			Nine months ended September 30,		
	2025	2024	% change	2025	2024	% change
Crude oil	19,373	41,145	(53)%	72,437	116,030	(38)%
Less: Blending expense	-	7,237	(100)%	3,285	22,680	(86)%
Crude oil, net of blending ⁽¹⁾	19,373	33,908	(43)%	69,152	93,350	(26)%
Natural gas	5	27	(81)%	202	72	181%
Total petroleum and natural gas revenues, net of blending ⁽¹⁾	19,378	33,935	(43)%	69,354	93,422	(26)%
Processing income	1	51	(98)%	12	105	(89)%
Total petroleum and natural gas sales, net of blending ⁽¹⁾	19,379	33,986	(43)%	69,366	93,527	(26)%

⁽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 September 30, 2025 was \$19.4 million as compared to \$33.9 million in the comparable period of 2024. The decrease in petroleum and natural gas revenues, net of blending was primarily the result of a 38% decrease in crude oil production volumes combined with a 7% decrease in the realized crude oil price over the comparable period of 2024. The decrease in the realized price is consistent with the decrease in benchmark WCS pricing over the period, partially offset by marketing initiatives to optimize sales points and increase received price.

Total petroleum and natural gas revenues, net of blending for the nine months ended September 30, 2025 was \$69.4 million as compared to \$93.4 million in the comparable period of 2024. The decrease in petroleum and natural gas revenues, net of blending was primarily the result of a 19% decrease in crude oil production volumes combined with an 8% decrease in the realized crude oil price over the comparable period of 2024. The decrease in the realized price is consistent with the decrease in benchmark WCS pricing over the period.

Blending expense for the three and nine months ended September 30, 2025 decreased from the comparable periods due to a change in contractual terms whereby the Company did not act as shipper on the Manito pipeline from March 2025 onward. Therefore, blending costs are recorded net and reduce crude oil sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Benchmark and Realized Prices

(\$ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2025	2024	% change	2025	2024	% change
Averaged realized prices:						
Crude oil (\$/bbl) ⁽¹⁾⁽³⁾	72.24	77.96	(7)%	71.44	77.73	(8)%
Natural gas (\$/mcf) ⁽¹⁾	0.19	0.45	(58)%	1.15	0.72	60%
Barrels of oil equivalent (\$/boe) ⁽²⁾⁽³⁾	71.21	76.27	(7)%	69.57	76.74	(9)%
Benchmark prices:						
WTI (\$US/bbl)	64.93	75.10	(14)%	66.70	77.54	(14)%
WCS differential to WTI (US\$/bbl)	(10.39)	(13.55)	(23)%	(11.11)	(15.49)	(28)%
WCS (\$Cdn/bbl)	75.10	83.95	(11)%	77.79	84.45	(8)%
Condensate at Edmonton (\$Cdn/bbl)	86.75	96.83	(10)%	91.51	99.89	(8)%
Exchange rate (\$Cdn/\$US)	1.38	1.36	1%	1.41	1.36	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.

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.

For the three and nine months ended September 30, 2025, benchmark WTI pricing decreased by 14%, when compared to the comparable periods of 2024 due to economic uncertainty attributed to continuing concerns over U.S. tariffs, global trade tensions, and increased production from OPEC+. WCS differentials narrowed primarily as a result of increased egress for Canadian heavy crude oil given the increased capacity from the Trans Mountain Pipeline.

The Company's realized crude oil price, net of blending, for the three and nine months ended September 30, 2025, was \$72.24/bbl and \$71.44/bbl, respectively, as compared to \$77.96/bbl and \$77.73/bbl in the comparable periods of 2024. Prices are consistent with the decrease in benchmark WCS pricing over the periods and the weakening of the Canadian dollar, partially offset by marketing initiatives to optimize sales points and increase received price.

Risk Management

Financial Derivatives

(\$ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2025	2024	% change	2025	2024	% change
Realized gain (loss)	(40)	140	(129)%	(436)	(241)	81%
Unrealized loss	(20)	(411)	(95)%	(67)	(1,148)	(94)%
Loss on financial derivatives	(60)	(271)	(78)%	(503)	(1,389)	(64)%
Realized gain (loss) per boe (\$)	(0.15)	0.31	148%	(0.44)	(0.20)	120%

The Company incurred a realized loss of \$40 thousand and \$0.4 million for the three and nine months ended September 30, 2025, respectively, as compared to a realized gain of \$0.1 million and a realized loss of \$0.2 million, for the comparable periods of 2024. The realized gain/loss in the periods were the result of the fixed

MANAGEMENT'S DISCUSSION AND ANALYSIS

price of the financial derivative commodity contracts being higher/lower respectively than the settlement price in the periods.

The Company recognized an unrealized loss of \$20 thousand and \$67 thousand for the three and nine months ended September 30, 2025, respectively, as compared to an unrealized loss of \$0.4 million and \$1.1 million in the comparable periods of 2024. The unrealized loss 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 September 30, 2025, the Company had the following financial derivative commodity contracts:

Type	Type	Term	Volume	Contract Price
WCS Differential	Swap	October 1, 2025 to December 31, 2025	250 bbl/d	USD (\$14.35)
WTI	Swap	October 1, 2025 to December 31, 2025	250 bbl/d	CAD \$90.00
WCS	Swap	October 1, 2025 to December 31, 2025	250 bbl/d	CAD \$70.25

Royalties

(\$ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2025	2024	% change	2025	2024	% change
Royalty expenses	3,170	4,940	(36)%	10,782	13,522	(20)%
Royalty rate ⁽¹⁾	16.4%	14.6%	12%	15.5%	14.5%	7%
Per boe (\$)	11.65	11.10	5%	10.81	11.11	(3)%

⁽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, 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 multi-lateral oil well program drilling incentive whereby volumetric drilling incentive for eligible multi-lateral horizontal oil wells drilled on or after April 1, 2024, and on or before June 30, 2028. The amount of additional volumetric incentive provided depends on the number of laterals drilled.

Royalties for the three and nine months ended September 30, 2025 were \$3.2 million or a 16.4% royalty rate and \$10.8 million or a 15.5% royalty rate, respectively, as compared to \$4.9 million or a 14.6% royalty rate and \$13.5 million or a 14.5% royalty rate in the comparable periods of 2024. On an absolute dollar basis, royalties decreased from the comparable periods due to lower petroleum and natural gas revenues. On a royalty rate basis, royalties increased over the comparable periods due to wells coming off royalty incentives.

Net Operating Expenses

(\$ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2025	2024	% change	2025	2024	% change
Operating expenses	4,213	9,874	(57)%	19,445	28,416	(32)%
Less: processing income	1	51	(98)%	12	105	(89)%
Total net operating expenses ⁽¹⁾	4,212	9,823	(57)%	19,433	28,311	(31)%
Per boe (\$)	15.48	22.08	(30)%	19.49	23.26	(16)%

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

For the three and nine months ended September 30, 2025, net operating expenses decreased to \$4.2 million and \$19.4 million, respectively, from \$9.8 million and \$28.3 million in the comparable periods of 2024 due to lower production volumes and cost savings from the SW Saskatchewan Disposition, the Frog Lake Disposition

MANAGEMENT'S DISCUSSION AND ANALYSIS

and the Non-Core Saskatchewan Disposition. The Company is focused on cost optimization at its retained core properties, including enhanced operational procedures, improved logistics, and streamlined field activities to further reduce net operating expenses.

On a per boe basis, net operating expenses for the three and nine months ended September 30, 2025, were \$15.48 and \$19.49, respectively, compared to \$22.08 and \$23.26 in the comparable periods of 2024. The overall decrease in net operating expenses per boe was primarily due to the SW Saskatchewan Disposition, the Frog Lake Disposition and the Non-Core Saskatchewan Disposition, as the properties had higher net operating expenses per boe of approximately \$43.27/boe, \$49.20/boe and \$46.86/boe, respectively.

Transportation Expenses

(\$ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2025	2024	% change	2025	2024	% change
Transportation expenses	888	576	54%	2,370	1,814	31%
Per boe (\$)	3.26	1.29	153%	2.38	1.49	60%

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 and nine months ended September 30, 2025, total transportation expenses on an absolute dollar basis increased compared to the same periods of 2024 due to increased clean oil trucking to optimize received pricing. On a per boe basis, transportation expenses increased from the comparable periods of 2024 due to lower production volumes combined with the increased clean oil trucking.

Operating Netback

(\$ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2025	2024	% change	2025	2024	% change
Total petroleum and natural gas revenues, net of blending ⁽¹⁾	19,378	33,935	(43)%	69,354	93,422	(26)%
Royalties	(3,170)	(4,940)	(36)%	(10,782)	(13,522)	(20)%
Net operating expenses ⁽¹⁾	(4,212)	(9,823)	(57)%	(19,433)	(28,311)	(31)%
Transportation expenses	(888)	(576)	54%	(2,370)	(1,814)	31%
Operating netback⁽¹⁾	11,108	18,596	(40)%	36,769	49,775	(26)%
Realized gain (loss) on financial derivatives	(40)	140	(129)%	(436)	(241)	81%
Operating netback⁽¹⁾, including financial derivatives	11,068	18,736	(41)%	36,333	49,534	(27)%

(\$/boe)	Three months ended September 30,			Nine months ended September 30,		
	2025	2024	% change	2025	2024	% change
Total petroleum and natural gas revenues, net of blending ⁽¹⁾⁽²⁾	71.21	76.27	(7)%	69.57	76.74	(9)%
Royalties	(11.65)	(11.10)	5%	(10.81)	(11.11)	(3)%
Net operating expenses ⁽¹⁾	(15.48)	(22.08)	(30)%	(19.49)	(23.26)	(16)%
Transportation expenses	(3.26)	(1.29)	153%	(2.38)	(1.49)	60%
Operating netback⁽¹⁾	40.82	41.80	(2)%	36.89	40.88	(10)%
Realized gain (loss) on financial derivatives	(0.15)	0.31	(148)%	(0.44)	(0.20)	120%
Operating netback⁽¹⁾, including financial derivatives	40.67	42.11	(3)%	36.45	40.68	(10)%

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025, operating netback on an absolute dollar basis was lower primarily due to lower realized pricing and production combined with higher transportation, offset by lower net operating expenses and royalties as compared to the same periods of 2024. On a per boe basis the operating netback was further impacted by lower production volumes in the current periods than the comparable periods of 2024.

General and Administrative (“G&A”) Expenses

(\$ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2025	2024	% change	2025	2024	% change
G&A expenses	1,605	2,183	(26)%	5,373	6,548	(18)%
Capitalized G&A and overhead recoveries	(472)	(898)	(47)%	(1,686)	(2,692)	(37)%
Net G&A expenses	1,133	1,285	(12)%	3,687	3,856	(4)%
Per boe (\$)	4.16	2.89	44%	3.70	3.17	17%

For the three and nine months ended September 30, 2025, the Company's net G&A expenses decreased as compared to the same periods of 2024 primarily due to personnel reductions resulting from the dispositions. Capitalized G&A and overhead recoveries decreased over the comparable periods of 2024 due to lower capital expenditures. On a per boe basis, G&A expenses increased as compared to the same periods of 2024 due to the decrease in production.

Stock-based Compensation

(\$ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2025	2024	% change	2025	2024	% change
Stock options	252	946	(73)%	1,091	2,990	(64)%
Capitalized stock-based compensation	(99)	(389)	(75)%	(416)	(1,228)	(66)%
Stock-based compensation	153	557	(73)%	675	1,762	(62)%
Per boe (\$)	0.56	1.25	(55)%	0.68	1.45	(53)%

The Company has a stock option plan in place pursuant to which the Company may grant options to eligible participants to acquire a maximum number of common shares of the Company (“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. Stock-based compensation is recorded over a three-year vesting period using graded amortization resulting in a higher proportion of expense being recognized earlier in the vesting term.

During the three and nine months ended September 30, 2025, the Company recorded gross stock-based compensation expense of \$0.3 million and \$1.1 million, respectively, as compared to \$0.9 million and \$3.0 million in the comparable periods of 2024.

The Company capitalizes stock-based compensation expense related to petroleum and natural gas exploration and development activities. For the three months ended September 30, 2025, Lycos recorded capitalized stock-based compensation expense of \$0.1 million and \$0.4 million, respectively, as compared to \$0.4 million and \$1.2 million in the comparable periods of 2024.

The decrease in gross and capitalized stock-based compensation from the comparable periods of 2024 is primarily related to the impact of graded amortization and forfeitures associated with personnel reductions from dispositions, resulting in a lower expense in the current periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	September 30, 2025		December 31, 2024	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Options outstanding, beginning of period	3,885,725	\$ 4.02	3,716,250	\$ 4.07
Granted	-	\$ -	244,225	\$ 2.80
Forfeited	(707,625)	\$ 3.81	(74,750)	\$ 2.71
Options outstanding, end of period	3,178,100	\$ 4.07	3,885,725	\$ 4.02

The range of exercise price of stock options outstanding and exercisable as at September 30, 2025, is as follows:

	Outstanding options			Exercisable options		
Exercise price	Number of Options Outstanding	Weighted average remaining term (years)	Weighted average exercise price	Number of Options Outstanding	Weighted average exercise price	
\$ 3.19 - \$ 4.40	3,178,100	2.71	\$ 4.07	1,623,742	\$ 4.17	

Depletion and Depreciation ("D&D")

(\$ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2025	2024	% change	2025	2024	% change
Depletion and depreciation	6,755	10,645	(37)%	23,066	27,913	(17)%
Per boe (\$)	24.82	23.92	4%	23.13	22.93	1%

D&D per boe will fluctuate from one period to the next depending on the amount and type of capital expenditures, 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 and nine months ended September 30, 2025 was \$6.8 million and \$23.1 million, respectively, compared to \$10.6 million and \$27.9 million for the comparable periods of 2024 due to a significant decrease in the Company's production volumes and depletable base over the periods.

On a per boe basis, D&D for the three and nine months ended September 30, 2025, increased as compared to the corresponding periods of 2024, primarily due to a decrease in the Company's reserves resulting from the dispositions in the current periods.

Cash-Generating Unit ("CGU") Composition

In Q1 2025, the Company completed an internal assessment of its operations following the SW Saskatchewan Disposition. As a result of this assessment, and in accordance with International Accounting Standard 36 – *Impairment of Assets*, which forms part of the IFRS as issued by the IASB, management determined that it was appropriate to consolidate its remaining asset base into a single CGU, the Lloydminster CGU from January 1, 2025.

The revised CGU structure reflects the manner in which the Company now generates independent cash inflows and monitors performance internally. The amalgamation of CGUs did not impact the carrying amount of assets with no impairment indicators identified resulting from the CGU reorganization and no impairment losses were recognized related to the CGU consolidation process.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Impairment

Exploration and Evaluation Assets

At September 30, 2025 the Company had transferred land, geological costs and drilling and completion costs to Property, Plant & Equipment ("PP&E") at a value of \$24.2 million (Q1 2025 - \$13.6 million, Q2 2025 - \$10.6 million). E&E transfers to PP&E were subject to the impairment test performed to estimate the recoverable amount of the CGU, as described below. During the three-month period ended September 30, 2025, no further transfers of E&E or indicators impairment have been identified and therefore the Company has not performed another impairment test.

Property, Plant & Equipment

The Company identified indicators of impairment as at June 30, 2025 for its Lloydminster CGU. In accordance with IAS 36, the Company performed an impairment test to estimate its recoverable amount where it was determined that the carrying value of the CGU exceeded its recoverable amount, and an impairment loss of \$23.2 million was recognized during the period. The indicators of impairment existed as a result of decreases in the Company's market capitalization, along with the loss recorded on the Lloydminster Saskatchewan disposition contained within the CGU.

The recoverable amount of the CGU was estimated using value-in-use, based on the net present value of before tax cash flows from proved and probable petroleum and natural gas reserves by the Company's internal reserve evaluators at rate of 17%.

The following table outlines forecasted commodity prices and exchange rates used in the Company's impairment test as at September 30, 2025. The forecasted commodity prices are consistent with those used by the Company's external reserve evaluators and are a key assumption in assessing recoverable amount. The internal reserve evaluators also included financial assumptions regarding royalty rates, operating costs, and future development capital that can significantly impact the recoverable amount which is assigned based on historical rates and future anticipated activities by management.

Year	WTI Price - Oil (US\$/bbl) ⁽¹⁾	WCS Price - Oil (\$/bbl)	AECO Price - Gas (\$/MMBtu) ⁽¹⁾	Exchange Rate (\$Cdn/\$US)
2025	64.00	71.53	2.43	0.72
2026	68.00	76.55	3.42	0.73
2027	68.00	74.00	3.28	0.75
2028	69.36	75.48	3.35	0.75
2029	70.75	76.99	3.41	0.75
2030	72.16	78.53	3.48	0.75
2031	73.61	80.10	3.55	0.75
2032	75.08	81.70	3.62	0.75
2033	76.58	83.34	3.69	0.75
2034	78.11	85.00	3.77	0.75
2035	79.67	86.70	3.84	0.75

Escalation rate of 2% per year thereafter

⁽¹⁾ The forecast benchmark commodity prices listed are adjusted for quality differentials, heat content, transportation and marketing costs and other factors specific to the Company's operations in performing the Company's impairment test.

The Company conducted an assessment of indicators of impairment and concluded that there were no new indicators of impairment or impairment reversal identified as at September 30, 2025. Accordingly, the impairment loss recognized at June 30, 2025 remains unchanged as at September 30, 2025.

Asset Held for Sale

In the third quarter of 2025, the Company executed the Elnora PSA to dispose of certain assets in the Elnora, Alberta area, for total cash consideration of \$0.3 million, subject to customary closing adjustments. The assets had a net book value of \$1.0 million and associated decommissioning liabilities of \$1.0 million and were classified as held for sale at September 30, 2025.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dispositions

Frog Lake, Alberta

On May 29, 2025, the Company closed the Frog Lake Disposition, disposing of certain non-core assets in the Frog Lake area for total cash consideration of \$2.9 million, net of transaction costs of \$0.1 million and subject to final closing adjustments. The assets had a net book value of \$3.5 million and associated decommissioning liabilities of \$0.7 million, resulting in a gain on disposal of \$50 thousand. The assets were previously classified as held for sale at March 31, 2025.

Lloydminster, Saskatchewan

On June 30, 2025, the Company closed the Non-Core Saskatchewan Disposition, disposing of its remaining non-core assets in Lloydminster, Saskatchewan to an arm's length purchaser for total consideration of \$2.2 million, net of transaction costs of \$0.3 million and subject to final closing adjustments. The assets disposed of had a net book value of \$54.4 million, E&E lands of \$43 thousand and associated decommissioning liabilities of \$11.0 million, resulting in a loss on disposal of \$41.2 million. In conjunction with this transaction, Lycos settled the processing credit that was recorded in prepaid expenses and deposits and other long-term assets.

Disposition proceeds are collected in accordance with the related purchase and sale agreement. To date, the Company has received both the first and second installments from the Non-Core Saskatchewan Disposition. The processing credit receivable will be settled through offsets against processing expenses and take-or-pay provisions.

Transaction Costs

(\$ in thousands)	Three months ended			Nine months ended		
	September 30,			September 30,		
	2025	2024	% change	2025	2024	% change
Transaction costs related to acquisitions	12	115	(90)%	1,084	248	337%
Transaction costs related to credit facilities	4	-	100%	4	-	100%
Transaction costs	16	115	(86)%	1,088	248	339%
Per boe (\$)	0.06	0.26	(77)%	1.09	0.20	445%

Transaction costs for the three and nine months ended September 30, 2025 were \$16 thousand and \$1.1 million, compared to \$0.1 million and \$0.2 million in the comparative periods of 2024. Transaction costs in the three months ending September 30, 2025 relate to legal costs associated with deal flow. Transaction costs for the nine months ended September 30, 2025, primarily relate to retention costs incurred as part of the strategic review process and legal fees associated with transaction execution and deal flow. The strategic process was concluded on May 29, 2025.

Finance Expense

(\$ in thousands)	Three months ended			Nine months ended		
	September 30,			September 30,		
	2025	2024	% change	2025	2024	% change
Accretion of decommissioning liabilities	142	282	(50)%	599	834	(28)%
Interest expense	378	450	(16)%	959	1,106	(13)%
Interest on lease obligations	6	13	(54)%	24	42	(43)%
Finance expense	526	745	(29)%	1,582	1,982	(20)%
Per boe (\$)	1.93	1.67	16%	1.59	1.63	(2)%

The Company's finance expense for the three and nine months ended September 30, 2025 was \$0.5 million and \$1.6 million, respectively, as compared to \$0.7 million and \$2.0 million, in the comparable periods of 2024. The decrease in finance expense is primarily due to lower interest expense associated with lower interest rates and lower accretion of decommissioning liabilities due to the SW Saskatchewan Disposition, the Frog Lake Disposition and the Non-Core Saskatchewan Disposition.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Taxes

The following table outlines the Company's estimated tax pools as at September 30, 2025:

(\$ in thousands)	September 30, 2025	Annual Deductibility
Undepreciated capital cost	5,246	Primarily 25% declining balance
Canadian development expense	71,137	30% declining balance
Canadian development expense - successored	3,611	30% declining balance
Canadian oil and gas property expense	9,527	10% declining balance
Canadian oil and gas property expense - successored	10,653	10% declining balance
Non-capital loss carry forward	65,363	100%
Share & debt issue costs	3,279	20% straight line
Total	168,816	

(\$ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2025	2024	% change	2025	2024	% change
Deferred income tax expense (recovery)	-	1,276	(100)%	(8,444)	139	(6175)%

For the three and nine months ended September 30, 2025, the Company recorded a \$nil deferred income tax expense (recovery) and \$8.4 million deferred income tax recovery, respectively, as compared to a \$1.3 million and \$0.1 million deferred income tax expense in the comparable periods. The deferred income tax recovery recorded in the nine months ended September 30, 2025, relates to a net loss before income taxes being recognized in the period.

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

(\$ in thousands, except per share)	Three months ended September 30,			Nine months ended September 30,		
	2025	2024	% change	2025	2024	% change
Cash flow from operating activities	10,370	19,764	(48)%	31,422	37,893	(17)%
Adjusted funds flow from operations⁽¹⁾	9,558	17,005	(44)%	31,698	44,623	(29)%
Net income (loss)	2,465	3,706	(33)%	(49,774)	12,537	(497)%
Per share - basic	\$ 0.05	\$ 0.07	(29)%	\$ (0.93)	\$ 0.24	(488)%
Per share - diluted	\$ 0.05	\$ 0.07	(29)%	\$ (0.93)	\$ 0.23	(504)%

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

The Company recorded net income of \$2.5 million (\$0.05 per basic and diluted share) and a net loss of \$49.8 million (\$0.93 per basic and diluted share) for the three and nine months ended September 30, 2025, compared to net income of \$3.7 million (\$0.07 per basic and diluted share) and \$12.5 million (\$0.24 per basic and \$0.23 diluted share) in the comparable periods of 2024.

The decrease in net income for the three months ended September 30, 2025, as compared to the same period in 2024 is primarily the result of lower petroleum and natural gas sales, due to decreased production volumes and lower realized pricing in the periods.

The loss recorded in the nine months ended September 30, 2025, as compared to the net income recorded in the same periods of 2024, is primarily the result of the \$41.2 million loss recorded on the SW Saskatchewan Disposition, a non-cash impairment loss of \$23.2 million and lower petroleum and natural gas sales due to decreased production volumes and lower realized pricing in the periods.

Cash flow from operating activities for the three and nine months ended September 30, 2025, decreased by 48% and 17%, as compared to the same periods of 2024. The fluctuations in cash flow from operating activities were due to the decrease in adjusted funds flow from operations (discussed below), adjusted by the changes in non-cash working capital for the periods.

Adjusted funds flow from operations for the three and nine months ended September 30, 2025, decreased 44% and 29%, as compared to the same periods of 2024. This was primarily due to a decrease in petroleum and natural gas revenues, net of blending, higher transportation expenses, and higher realized hedging losses, partially offset by lower royalties, net operating expenses, and G&A expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Expenditures

(\$ in thousands)	Three months ended			Nine months ended		
	September 30,			September 30,		
	2025	2024	% change	2025	2024	% change
Land and geological and geophysical	305	1,779	(83)%	1,265	2,679	(53)%
Drilling and completions	231	10,954	(98)%	21,964	42,276	(48)%
Equipping and facilities	401	3,830	(90)%	4,748	10,881	(56)%
Other	476	718	(34)%	1,709	2,153	(21)%
Exploration and development	1,413	17,281	(92)%	29,686	57,989	(49)%
Property dispositions	-	-	0%	(5,066)	-	100%
Capital expenditures⁽¹⁾	1,413	17,281	(92)%	24,620	57,989	(58)%

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

Exploration and development expenditures for the three and nine months ended September 30, 2025, were \$1.4 million and \$29.7 million, respectively, compared to \$17.3 million and \$58.0 million in the comparable periods of 2024. In the three months ended September 30, 2025, the Company incurred \$0.3 million on lease acquisitions and seismic, \$0.2 million on drilling and completions, \$0.4 million on equipping and facilities and \$0.5 million related to other costs. During the nine months ended September 30, 2025, the Company incurred \$1.3 million on lease acquisitions and seismic, \$22.0 million on drilling and completions, \$4.7 million on equipping and facilities, and \$1.7 million related to other capital costs.

Net capital expenditures were impacted in the nine months ended September 30, 2025, by the Non-Core Saskatchewan Disposition and Frog Lake dispositions for total net consideration of \$5.1 million, subject to final closing adjustments and net of transaction costs.

Capital expenditures incurred in Q3 2025, relate to land acquisitions, waterflood and gas handling infrastructure, and preparation work for future drills.

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

	Three months ended September 30,				Year ended September 30,			
	2025		2024		2025		2024	
	Gross ⁽¹⁾	Net ⁽¹⁾	Gross	Net	Gross ⁽¹⁾	Net ⁽¹⁾	Gross	Net
Crude oil	-	-	7.0	7.0	9.0	8.9	23.0	22.6
Disposal	-	-	-	-	-	-	1.0	1.0
Total	-	-	7.0	7.0	9.0	8.9	24.0	23.6
Success rate	N/A	N/A	100%	100%	100%	100%	100%	100%

⁽¹⁾ Of the 9.0 (8.9 net) crude oil wells drilled during the nine months ended September 30, 2025, 1.0 (1.0 gross) was brought on production in Q2 2025 and 8.0 (7.9 gross) were brought on production in Q1 2025.

Share Capital

Common Shares

The Company's authorized share capital consists of an unlimited number of 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 periods ended September 30, 2025 and December 31, 2024:

	September 30, 2025		December 31, 2024	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period ⁽¹⁾	53,237,528	\$ 224,642	53,081,147	\$ 224,292
Shares issued - warrant exercise	-	-	156,381	350
Balance, end of period	53,237,528	\$ 224,642	53,237,528	\$ 224,642

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at November 18, 2025, the Company had the following securities outstanding:

<i>(in thousands)</i>	As at November 18, 2025
Outstanding securities:	
Common shares	53,238
Stock options	3,147
Warrants	5,550

Warrants

On December 12, 2022, the Company issued 5,706,250 warrants in connection with the reverse takeover transaction which were recorded in share capital. As at September 30, 2025, the Company had 5,549,869 warrants outstanding and exercisable (December 31, 2024 – 5,549,869). 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 per Common Share. The warrants are fully vested and exercisable.

Dilution

The Company uses the treasury stock method to determine the impact of dilutive securities. For the three and nine months ended September 30, 2025, in computing the diluted net income (loss) per share, 5,549,869 warrants were excluded (September 30, 2024 – 5,549,869 warrants were included) and 3,178,100 (September 30, 2024 – 3,908,225) stock options (note 9) were excluded from the calculation as their effect was anti-dilutive.

Liquidity and Capital Resources

As at September 30, 2025, the Company's capital structure is comprised of adjusted net debt of \$11.8 million and shareholders' equity of \$138.7 million. Lycos' adjusted net debt fluctuated from \$17.9 million at December 31, 2024 to \$11.8 million as at September 30, 2025, primarily due to capital expenditures and the lower adjusted funds flow generated in the current periods, partially offset by the proceeds of dispositions from the SW Saskatchewan Disposition, the Frog Lake Disposition and the Non-Core Saskatchewan Disposition.

Subsequent to September 30, 2025, the Company completed the North Disposition, disposing of certain assets in the Lindbergh, Moose Lake and Fishing Lake areas of Alberta area, for total cash consideration of \$60.0 million, subject to customary closing adjustments. The Company utilized \$9.0 million of the net proceeds towards debt repayment and is in the process of distributing \$47.9 million of the net proceeds as a Return of Capital to shareholders.

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 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 September 30, 2025, 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. Subsequent to September 30, 2025, the Company's borrowing base was reconfirmed at \$50 million and the next scheduled borrowing base review is scheduled to occur on or before May 31, 2026.

As at September 30, 2025, the Company had \$16.4 million (December 31, 2024 - \$15.1 million) drawn on the facility.

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 September 30, 2025, the Company had an interest rate of prime plus 1.25% per annum on the credit facility.

The credit facility is secured by a demand debenture in the amount of \$100.0 million. Repayments of principal are not required until the Lender demands, provided that the borrowings do not exceed the authorized credit

MANAGEMENT'S DISCUSSION AND ANALYSIS

facility, and the Company is compliant with all covenants. As at September 30, 2025, 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.

Future minimum payments relating to variable office rent payments, which are a non-lease component of the Company's head office sublease, as at September 30, 2025 are as follows:

	September 30, 2025
Less than 1 year	\$ 214
Total commitments	\$ 214

As at September 30, 2025 the Company had four outstanding well commitments in the Greater Lloydminster/ Cold Lake area, one to be drilled by December 31, 2025, one by September 30, 2026, and two by November 1, 2026.

Subsequent to quarter end, as part of the transaction described below, the Company entered into and closed an agreement to divest three of these commitments and retains one well commitment to be drilled by September 30, 2026.

Subsequent Events

1. On October 15, 2025:

- the Company completed the North Disposition, providing for the disposition of certain assets in the Lindbergh, Moose Lake and Fishing Lake areas of Alberta, for total cash consideration of \$60.0 million, subject to customary closing adjustments. The Company utilized \$9.0 million of the net proceeds towards debt repayment and is in the process of distributing \$47.9 million of the net proceeds as a Return of Capital to shareholders; and
- the Company announced its normal course issuer bid (the "NCIB") which will commence on November 3, 2025, permitting Lycos to repurchase up to 4,661,208 Common Shares within a twelve-month period.

2. On November 13, 2025:

- the Lycos' shareholders approved a special resolution authorizing the Company's Board of Directors, at its sole discretion, to reduce the stated capital account maintained in respect of the Company's common shares by \$47.9 million (the "Reduction of Stated Capital").
- following shareholder approval of the Reduction of Stated Capital, the Company's Board of Directors authorized and approved (a) the Reduction of Stated Capital and (b) the cash distribution (the "Distribution") to shareholders of \$0.90 per Common Share as a return of capital; And
- the Company declared the Distribution to be payable on November 28, 2025, to shareholders of record at the close of business on November 20, 2025.

Outlook

Lycos is concluding 2025 in a position of strength following the completion of multiple non-core asset dispositions and the rationalization of its portfolio. With the North Disposition now finalized, Lycos is focused on optimizing and advancing development plans across its retained core properties. The Company is currently preparing a new capital program, which is expected to commence in January 2026, targeting sustainable production growth and enhanced operating efficiencies.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Results

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

(\$ in thousands, except share data)	2025				2024			2023
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial								
Total petroleum and natural gas sales, net of blending ⁽¹⁾	19,379	23,146	26,842	30,196	33,986	35,649	23,892	24,748
Cash flow from operating activities	10,370	10,370	12,656	12,898	19,764	14,024	4,105	14,235
Adjusted funds flow from operations ⁽¹⁾	9,558	9,558	12,512	14,421	17,005	18,027	9,591	11,382
Net income (loss)	2,465	2,465	2,373	(13,442)	3,706	10,245	(1,414)	1,172
Per share - basic	\$ 0.05	\$ 0.05	\$ 0.04	\$ (0.25)	\$ 0.07	\$ 0.19	\$ (0.03)	\$ 0.02
Per share - diluted	\$ 0.05	\$ 0.05	\$ 0.04	\$ (0.25)	\$ 0.07	\$ 0.19	\$ (0.03)	\$ 0.02
Adjusted working capital (net debt) ⁽¹⁾	(11,796)	(11,796)	(25,498)	(17,896)	(31,727)	(30,592)	(27,148)	(17,057)
Capital expenditures ⁽¹⁾	1,413	285	22,922	(1,235)	17,281	21,258	19,450	31,474
Weighted average shares outstanding (thousands)								
Basic	53,238	53,238	53,238	53,238	53,215	53,104	53,081	50,876
Diluted	53,238	53,238	53,532	53,238	54,818	55,118	53,081	53,055
Shares outstanding, end of period (thousands)								
Basic	53,238	53,238	53,238	53,238	53,238	53,126	53,081	53,081
Diluted	53,238	53,238	53,532	53,238	54,841	55,139	53,081	55,260
Operational								
Average daily production								
Crude oil (bbls/d)	2,915	3,795	3,940	4,421	4,728	4,614	3,804	4,081
Natural gas (mcf/d)	260	869	793	893	651	209	218	238
Total (boe/d)	2,958	3,940	4,072	4,570	4,836	4,648	3,840	4,121

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

Lycos was positioned for significant growth in 2023, exiting 2022 with \$56.8 million of adjusted working capital. In 2023, Lycos completed four acquisitions of heavy oil assets and lands in its Lloydminster and Greater Lloydminster area, completed a \$35.0 million bought deal financing and a significant capital expenditures program, rig-releasing 19.0 net crude oil wells. Capital expenditures over 2023 were 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. The increase in the Company's daily average production through 2023 resulted in an increase in sales and cash flow from operating activities over the periods.

The growth momentum continued in 2024, with Lycos incurring \$67.8 million of exploration and development expenditures (\$54.7 net of dispositions), which included drilling and completing 25.6 net producing wells and 1.0 net disposal well. Lycos grew average daily production to 4,570 boe/d in Q4 2024 from 3,840 boe/d in Q1 2024. The strengthening of the WCS crude oil price and the increase in the Company's daily average production resulted in an increase in sales and cash flow from operating activities over the periods.

In Q1 2025, the Company executed an exploration and development program targeted at proving up the Company's lands. The Company incurred \$22.9 million of capital expenditures in the period to drill 7.9 net producing wells and to spud 1.0 net well that was rig released and brought on stream in Q2 2025. In Q2 2025, the Company completed drilling and brought on stream 1.0 net Moose Lake well. On May 29, 2025, the Company announced that due to the current low and volatile commodity price environment and global economic uncertainty, Lycos had terminated its previously announced strategic review process and temporarily suspended its capital expenditures program. During Q2 2025, the Company completed the Non-Core Saskatchewan Disposition and the Frog Lake Disposition. In Q3 2025, the Company focused on deal flow, resulting in the completion of the North Disposition and the execution of the Elnora PSA to dispose of certain properties in Elnora, Alberta which will allow the Company to hone in on optimizing and advancing development plans across its retained core properties.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Accounting Policies

There were no changes that had a material effect on the reported income (loss) 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 in the section titled "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, or ratios, of "adjusted funds flow from operations", "adjusted working capital (net debt)", "net debt to adjusted funds flow from operations" and "total capital expenditures". 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 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.

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 September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Cash flow from operating activities	10,370	19,764	31,422	37,892
Change in non-cash working capital	(1,280)	(3,795)	(1,608)	5,205
Funds flow from operations	9,090	15,969	29,814	43,097
Decommissioning expenditures	452	921	796	1,278
Transaction costs	16	115	1,088	248
Adjusted funds flow from operations	9,558	17,005	31,698	44,623
Per boe (\$)	35.12	38.22	31.79	36.65

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

<i>(\$ in thousands)</i>	September 30, 2025	December 31, 2024
Working capital	(12,674)	(19,207)
Current portion of decommissioning liabilities	900	1,400
Financial derivative (asset) liability	(22)	(89)
Adjusted working capital (net debt)	(11,796)	(17,896)

Net Debt to Adjusted Funds Flow from Operations

Net debt to adjusted funds flow from operations 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.

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 expense in the Interim Financial Statements.

<i>(\$ in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Crude oil	19,373	41,145	72,437	116,030
Less: blending expense	-	7,237	3,285	22,680
Crude oil, net of blending	19,373	33,908	69,152	93,350
Natural gas	5	27	202	72
Total petroleum and natural gas revenues, net of blending	19,378	33,935	69,354	93,422

Total Petroleum and Natural Gas Sales, Net of Blending

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, and proceeds from dispositions in the Interim 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		Nine months ended	
	September 30,		September 30,	
	2025	2024	2025	2024
Net cash used in investing activities	3,042	21,624	32,565	56,912
Change in non-cash working capital	(1,629)	(4,343)	(7,945)	1,077
Capital expenditures	1,413	17,281	24,620	57,989

Advisories

Unless otherwise indicated, all production information presented herein is 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 titled "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' Interim Financial Statements or in the associated text. Certain other amounts that appear in this MD&A may similarly not sum due to rounding.

BOE Presentation

The Company uses the following industry terms in the MD&A: "bbl" refers to barrels, "bbl/d" refers to barrels per day, "mdbl" 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Interim Financial Statements and this MD&A have been prepared using the same critical accounting estimates as the Annual Financial Statements, which are available on the Company's website at www.lycosenergy.com and under the Company's profile on SEDAR+ at www.sedarplus.ca.

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", "can", "continue", "develop", "evaluate", "expect", "plan", "intend", "estimate", "maintains", "manage", "potential", "propose", "project", "target", "use", "budget", "forecast", "should", "will", "may" and similar expressions (or grammatical variations or negatives thereof) 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, including renewed focus on optimizing and advancing development plans across its retained core properties; (ii) 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 (including certain drilling commitments and the timing thereof); (iv) Lycos' expectations of royalty expenses as a percentage of revenue; (v) Lycos' crude oil pricing assumptions and Canadian to US dollar exchange rates; (vi) 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); (vii) the Company's expectations in respect of G&A expenses; (viii) the Company's expectations in respect of commodity prices and WCS differentials; (ix) the Company's financial hedging program including the use of financial derivatives to manage fluctuations in commodity prices and the effects thereof; (x) ability of the Company to achieve drilling success consistent with Management's expectations; (xi) the Company's outlook and operational results for the remainder of 2025; (xii) expected 2025 exit net debt and annualized net debt to adjusted funds flow from operations ratio; (xiii) the ability of the Company to make purchases under its NCIB and timing thereof; (iv) payment of the Return of Capital and timing thereof; (v) the expected completion of the disposition described in the Elnora PSA, including terms and timing thereof; and (vi) the timing and expected production of recently spud / drilled wells. 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 ability of the Company to continue to meet its obligations under its credit facility; the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the timely 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; 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 availability of capital (including that Lycos is well capitalized to execute on its capital expenditure program and strategy) 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 that the disposition of certain assets pursuant to the Elnora PSA will not be completed on the terms anticipated or at all; 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 and volatility; changes to market valuations; 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); changes in industry regulations and legislation (including, but not limited to, tax laws, royalties, and environmental regulations); the imposition or expansion of tariffs imposed by domestic and foreign governments or the imposition of other restrictive trade measures, retaliatory or countermeasures implemented by such governments, including the introduction of regulatory barriers to trade and the potential material adverse effect on the Canadian, U.S. and global economies, and by extension the Canadian oil and natural gas industry and the demand and/or market price for the Company's products and/or otherwise adversely affects the Company; the possibility that government policies or laws may change; the possibility that governmental approvals may be delayed or withheld; changes in the political landscape both domestically and abroad; wars (including ongoing military actions in the Middle East and Russia's invasion of Ukraine); competition; the lack of availability of qualified personnel or management; the lack of availability of or access to services; the results of exploration and development drilling related activities; 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; fluctuations and uncertainty with respect to foreign currency exchange rates, interest rates and commodity prices (including pursuant to determinations by the Organization of Petroleum Exporting Countries and other countries (collectively referred to as OPEC+) regarding production levels) and the risk of an extended period of low oil and natural gas prices; stock market and financial system volatility; risks inherent in the Company's marketing operations, including credit risk; uncertainty in amounts and timing of royalty payments; health, safety and environmental risks; risks with respect to unplanned third-party pipeline outages; adverse weather or break-up conditions, including severe weather events and natural disasters such as fires, droughts, flooding and extreme hot or cold temperatures; the Company's ability to secure sufficient amounts of water; 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; and the impact of oil differentials on the Company's

MANAGEMENT'S DISCUSSION AND ANALYSIS

financial position. Readers are cautioned that the foregoing list is not exhaustive of all possible risks and uncertainties.

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.

The Company's operations have been, and in the future may be, affected by political developments and by national, federal, provincial, state and local laws and regulations such as restrictions on production, the imposition of tariffs, embargoes or export restrictions on the Company's products (including the tariffs on a variety of goods recently announced by the US government and Canadian countermeasures subsequently announced, both of which are anticipated to continue to evolve).

Additional risks and information on risk factors are included in the Company's Annual Information Form for the year ended December 31, 2024, which is available on the Company's website at www.lycosenergy.com and under the Company's profile on SEDAR+ at www.sedarplus.ca.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Corporate Information

Board of Directors

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

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

GERI GREENALL ⁽¹⁾⁽³⁾
Independent Director
COO, Cascade Trading Ltd.
Calgary, Alberta

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

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

(1) Audit Committee

(2) Corporate Governance and Compensation Committee

(3) Reserves, Environment and Health and Safety Committee

Officers

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

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

LINDSAY GOOS, CPA-CA
Vice President Finance & CFO

JAMIE CONBOY, P.Geo.
Vice President, Exploration

JEFF RIDEOUT
Vice President, Land

SONY GILL
Corporate Secretary
Stikeman Elliott LLP

Head Office

Suite 1900, 215-2nd Street SW
Calgary, Alberta T2P 1M4
Tel: (403) 453-1950
Email: info@lycosenergy.com

Auditors

KPMG LLP
Chartered Professional Accountants
Calgary, Alberta

Independent Reservoir Consultants

Sproule Associates Limited
Calgary, Alberta