



**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON NOVEMBER 13, 2025**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**OCTOBER 8, 2025**

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## LETTER TO SHAREHOLDERS

October 8, 2025

Dear Shareholders,

You are invited to attend a special meeting (the "**Meeting**") of holders (the "**Shareholders**") of common shares (the "**Common Shares**") of Lycos Energy Inc. ("**Lycos**" or the "**Corporation**") to be held on Thursday, November 13, 2025 at 10:00 a.m. (Calgary time) at the Calgary office of Stikeman Elliott LLP at Suite 4200, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5. Please refer to the enclosed management information circular (the "**Information Circular**") dated October 8, 2025, for more information regarding the Meeting.

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, a special resolution authorizing the Corporation to reduce the stated capital account maintained in respect of the Common Shares by \$47.9 million (the "**Reduction of Stated Capital**"). The Reduction of Stated Capital will facilitate the distribution by the Corporation to its Shareholders of an immediate and substantial cash distribution of \$0.90 per Common Share (the "**Distribution**") as a return of capital (the "**Return of Capital**"). The payment of the Distribution is contingent on the completion of the Asset Sale (as described herein), however it is not conditional upon approval of the Reduction of Stated Capital resolution. If such approval is not obtained, the Distribution will be paid as a special dividend, which, for Canadian income tax purposes, may be designated as an eligible dividend (the "**Sale Dividend**").

### Transaction Overview

Notwithstanding the conclusion of the Corporation's strategic review process announced on May 29, 2025, the board of directors (the "**Board**") and management of the Corporation continually examine opportunities to enhance the interests of the Corporation to maximize shareholder value.

Lycos' capital allocation has resulted in an opportunity to maximize the value of the Corporation's assets in the Lindbergh, Moose Lake and Fishing Lake areas of Alberta (the "**Assets**") through the Asset Sale (as defined herein). Upon completion of the Asset Sale, each Shareholder will receive the Distribution of \$0.90 per Common Share. The record date for the Distribution (whether distributed to Shareholders by way of the Return of Capital or payment of the Sale Dividend) will be announced by Lycos in a press release following the date of the Meeting.

### Financial Advisor and Fairness Opinion

National Bank Financial Inc. ("**NBF**") has acted as exclusive financial advisor to Lycos in connection with the Asset Sale. NBF has provided the Board a fairness opinion that, as at the date of the Asset Sale Agreement (as defined herein) and subject to certain qualifications, assumptions and limitations, the consideration to be received by Lycos pursuant to the Asset Sale is fair, from a financial point of view, to Lycos.

## Recommendation of the Board and Management Team

The Board and management team view the Asset Sale as advantageous to Shareholders as it provides a meaningful opportunity to crystallize value and return capital to shareholders. Highlights of the Asset Sale include:

- **Debt Reduction.** \$9.0 million of the net proceeds from the Asset Sale will be used to reduce fourth quarter net debt (see "*Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Measures*" in the Information Circular) to below \$1.0 million, affording the Corporation greater financial flexibility to pursue initiatives aimed at further enhancing shareholder value, including potential accretive acquisitions, organic growth and/or share buybacks as outlined below.
- **Cash Distribution to Shareholders.** Shareholders will realize an immediate and substantial cash distribution of \$0.90 per Common Share, as further described below.
- **Pro Forma Assets.** Following the completion of the Asset Sale, Lycos will have approximately 1,700 boe/d of oil-weighted production (97% crude oil) in Central Alberta, including Swimming, Wildmere and Viking Kinsella.
- **Strong Balance Sheet.** Lycos will have less than \$1.0 million of net debt (see "*Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Measures*" in the Information Circular) and a \$50.0 million credit facility, which will allow the Corporation to continue to opportunistically acquire new multi-lateral development prospects to drive further returns to Shareholders.

Based on the fairness opinion received from NBF and discussions with the Corporation's financial and legal advisors, among other considerations, the Board unanimously determined that the Asset Sale and the entering into of the Asset Sale Agreement was in the best interests of Shareholders.

## The Asset Sale

On October 7, 2025, the Corporation entered into a definitive purchase and sale agreement with an arm's length purchaser (the "**Asset Sale Agreement**") to divest of the Assets for cash consideration of \$60.0 million, subject to customary closing adjustments as provided for in the Asset Sale Agreement (collectively, the "**Asset Sale**"). The effective date of the Asset Sale is September 1, 2025, and closing is expected to occur on or about October 15, 2025, subject to the satisfaction of customary closing conditions and receipt of approval from the TSX Venture Exchange.

Lycos believes the Asset Sale is a compelling acceleration of value to Shareholder for the Assets. The Assets are currently producing approximately 940 bbl/d and had Proved Developed Producing reserves of 395 Mbbbl as at December 31, 2024, as evaluated by the Corporation's independent reserves evaluator, Sproule Associates Ltd. ("**Sproule**"). The Assets also include 21.0 (21.0 net) booked drilling locations.

Certain key sales metrics pertaining to the Assets are as follows:

- 3.4 times annualized net operating income<sup>(1)</sup>
- \$63,830 per flowing boe<sup>(2)</sup>
- \$25.80 per boe of Proved reserves of 2,326 Mbbbl
- \$19.54 per boe of Proved and Probable reserves of 3,070 Mbbbl

**Notes:**

(1) See "*Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Measures*" in the Information Circular.

(2) In respect of the Assets, flowing boe is calculated using the total cash consideration divided by the current production estimate.

Lycos intends to direct approximately \$9.0 million of the net proceeds of the Asset Sale towards debt repayment to strengthen the Corporation's balance sheet. The Corporation's lender has confirmed that its current \$50.0 million credit facility will remain in place on the same terms following closing of the Asset Sale. An additional \$47.9 million of the net proceeds will be directed towards payment of the Distribution, with any remaining proceeds to be used towards general corporate purposes, including funding ongoing operations and/or working capital requirements.

The Asset Sale Agreement contains customary representations and warranties of each party and interim operational covenants by Lycos. A copy of the Asset Sale Agreement will be available for viewing on the Corporation's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

**Further Information**

Full details of the Asset Sale and the Distribution are set out in the accompanying Notice of Special Meeting of Shareholders and the Information Circular. You should carefully consider all of the information in the Information Circular. If you require assistance, consult your financial, legal, tax or other professional advisor.

**Your vote is important to Lycos and we strongly encourage you to attend the Meeting and submit the applicable enclosed form of proxy or a voting information form. If you have any questions or need additional information, you should consult your financial, legal, tax or other professional advisor.**

On behalf of Lycos, I would like to thank all Shareholders for their ongoing support. We look forward to receiving your support at the Meeting.

Yours very truly,

*(signed) "Kevin Olson"*

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**Kevin Olson**

Chair of the Board

**LYCOS ENERGY INC.**  
**NOTICE OF SPECIAL MEETING**  
**OF THE HOLDERS OF COMMON SHARES**  
**TO BE HELD ON NOVEMBER 13, 2025**

**NOTICE IS HEREBY GIVEN** that the special meeting (the "**Meeting**") of the holders (the "**Shareholders**") of common shares (the "**Common Shares**") in the capital of Lycos Energy Inc. (the "**Corporation**") will be held on Thursday, November 13, 2025 at 10:00 a.m. (Calgary time) at the Calgary office of Stikeman Elliott LLP at Suite 4200, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5, for the following purposes:

1. to authorize the board of directors of the Corporation to reduce the stated capital account maintained in respect of the Common Shares by \$47.9 million and distribute such amount in cash as a return of capital to Shareholders; and
2. to transact such other business as may properly come before the meeting or any adjournments thereof.

Only Shareholders of record at the close of business on October 8, 2025 (the "**Record Date**") are entitled to notice of and to attend the Meeting or any adjournment or adjournments thereof and to vote thereat, unless, after the Record Date, a holder of record transfers his or her Common Shares and the transferee, upon producing properly endorsed share certificates or otherwise establishing that he or she owns such Common Shares, requests, not later than 10 days before the Meeting, that the transferee's name be included in the list of Shareholders entitled to vote such Common Shares, in which case such transferee shall be entitled to vote such Common Shares, as the case may be, at the Meeting.

Shareholders may vote in person at the Meeting or any adjournment or adjournments thereof, or they may appoint another person (who need not be a Shareholder) as their proxy to attend and vote in their place.

**Registered Shareholders are requested to date and sign the enclosed form of proxy (the "Form of Proxy") and return it to the Corporation's transfer agent, Odyssey Trust Company. To be effective, the Form of Proxy must be mailed so as to reach or be deposited with Odyssey Trust Company, at Trader's Bank Building 1100, 67 Yonge St., Toronto, Ontario, M5E 1J8, Attention: Proxy Department or by email at [proxy@odysseytrust.com](mailto:proxy@odysseytrust.com) not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournment or postponement thereof or may be accepted by the Chairperson of the Meeting at his or her discretion prior to the commencement of the Meeting. The Form of Proxy or other instrument used to appoint a proxy shall be executed by the registered Shareholder or its attorney, or if such registered Shareholder is a corporation, under the corporate seal, and executed by a director, officer or attorney thereof duly authorized. Alternatively, a registered Shareholder may complete its Form of Proxy online at <https://vote.odysseytrust.com> by following the instructions provided on the Form of Proxy.**

The Information Circular relating to the business to be conducted at the Meeting accompanies this Notice.

Calgary, Alberta

October 8, 2025

**BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) "Kevin Olson"*

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**Kevin Olson**  
Chair of the Board

**LYCOS ENERGY INC.**

**MANAGEMENT INFORMATION CIRCULAR**

**FOR THE SPECIAL MEETING OF  
THE HOLDERS OF COMMON SHARES OF LYCOS ENERGY INC.  
TO BE HELD ON NOVEMBER 13, 2025**

**Dated: October 8, 2025**

**PURPOSE OF SOLICITATION**

This management information circular (the "Information Circular") is furnished in connection with the solicitation of proxies by or on behalf of the management of Lycos Energy Inc. ("Lycos" or the "Corporation") for use at the special meeting of the holders (the "Shareholders") of the common shares (the "Common Shares") in the capital of the Corporation to be held on Thursday, November 13, 2025 at the Calgary office of Stikeman Elliott LLP at Suite 4200, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5 at 10:00 a.m. (Calgary time), and any adjournment or adjournments thereof (the "Meeting") for the purposes set forth in the Notice of Special Meeting (the "Notice of Meeting") accompanying this Information Circular.

**CURRENCY**

All currency amounts expressed herein, unless otherwise indicated, are expressed in Canadian dollars.

**FORWARD-LOOKING STATEMENTS**

This Information Circular contains forward-looking statements. All statements other than statements of historical fact contained in this Information Circular are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, proposed acquisitions or dispositions, projected budgets, future drilling activity, reserve estimates, growth of reserves, projected costs and plans and objectives of or involving. Shareholders can identify many of these statements by looking for words such as "anticipate", "outlook", "plan", "endeavor", "continue", "estimate", "evaluate", "expect", "forecast", "may", "will", "can", "able", "potential", "target", "intend", "consider", "focus", "identify", "use", "utilize", "manage", "maintain", "remain", "result", "cultivate", "could", "should", "believe" or similar words (including grammatical variations or negatives thereof). These statements are based on the Corporation's beliefs and assumptions based on information available at the time such assumptions were made, and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Lycos believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forwarding-looking statements speak only as of the date of this Information Circular. These forward-looking statements include statements with respect to:

- the business strategy, objectives, strength and focus of the Corporation (as at the date hereof and following the anticipated completion of the Asset Sale (as defined herein));
- the expected completion of the Asset Sale, including terms and timing thereof;
- the anticipated benefits of the Asset Sale;
- the Corporation's intended use of proceeds of the Asset Sale, including the Distribution (as defined herein) and debt repayment;
- the anticipated timing of the Meeting;
- the anticipated reduction in stated capital and treatment of the Return of Capital for Canadian income tax purposes;
- the Corporation's drilling plans;
- expectations regarding commodity prices and heavy oil differentials;
- the performance characteristics of the Corporation's oil and natural gas properties;

- the ability of the Corporation to achieve drilling success consistent with management's expectations; and
- the source of funding for the Corporation's activities.

The forward-looking statements and information are based on certain key expectations and assumptions made by Lycos, including, but not limited to: expectations and assumptions concerning the business plan of Lycos; the satisfaction of all conditions to the completion of the Asset Sale, including approval by the TSX Venture Exchange (the "**TSXV**"); the timing of and success of future drilling, development and completion activities; the geological characteristics of Lycos' properties; prevailing and future commodity prices, price volatility, price differentials and the actual prices received for the Corporation's products; the availability and performance of drilling rigs, facilities, pipelines and other oilfield services; prevailing weather and break-up conditions; general economic conditions; royalty regimes and exchange rates; the application of regulatory and licensing requirements; the continued availability of capital and skilled personnel; and Lycos' ability to execute its plans and strategies.

Although Lycos believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because Lycos can give no assurance that they will prove to be correct. By their nature, such forward-looking information is subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed. These risks and uncertainties include, but are not limited to:

- the risk that the Asset Sale will not be completed on the terms anticipated or at all;
- the risk that the Corporation will utilize the net proceeds from the Asset Sale other than in the manner described in this Information Circular;
- the risk that Shareholders do not authorize a reduction in the stated capital of the Corporation's Common Shares to facilitate the Return of Capital;
- incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs;
- fluctuations in 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;
- changes in industry regulations and political landscape both domestically and abroad;
- the impact of tariffs and other restrictive trade measures imposed or threatened by the U.S. administration, the Canadian administration and foreign governments, including retaliatory or countermeasures, on global economic markets, market volatility and the demand and/or market price for the Corporation's products;
- hostilities, civil insurrections and wars, including Russia's military actions in Ukraine and the Israel–Hammas conflict in Gaza;
- foreign exchange or interest rates;
- increased operating and capital costs due to inflationary pressures (actual and anticipated);
- volatility in the stock market, commodities markets and/or financial systems;
- the retention of key management and employees; and
- risks with respect to unplanned third-party pipeline outages, including in respect of safety, asset integrity and shutting in production.

Please also refer to the Corporation's annual information form (the "**Annual Information Form**") for the year ended December 31, 2024, and the Corporation's management discussion and analysis for the three and six months ended June 30, 2025 (the "**MD&A**") for additional risk factors relating to Lycos, which can be accessed either on the Corporation's website at [www.lycosenergy.com](http://www.lycosenergy.com) or under the Corporation's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

**Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date hereof, and to not use such forward-looking information for anything other than its intended purpose. Lycos undertakes no obligation to update publicly or revise any forward-**

looking information, whether as a result of new information, future events or otherwise, except as required by law.

## ADVISORY REGARDING OIL AND GAS INFORMATION

The reserves information contained in this Information Circular has been prepared in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") and the Canadian Oil and Gas Evaluation Handbook (the "**COGEH**") prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter), as amended from time to time. Listed below are cautionary statement(s) that are specifically required by NI 51-101 that qualify the oil and gas disclosure contained in this Information Circular.

The terms "boe" and "mcf" may be misleading, particularly if used in isolation. A boe conversion rate of six thousand cubic feet of natural gas per barrel of oil (6 mcf:1 bbl) and an mcf conversion rate of one barrel of oil per six thousand cubic feet of natural gas (1 bbl:6 mcf) are each based on an energy equivalency conversion method primarily applicable at the burner tip and do not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from an energy equivalency of 6:1, utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

### Product Types

Throughout this Information Circular, "crude oil" or "oil" refers to heavy crude oil product types as defined by NI 51-101.

### Reserves Information

The reserves information and data contained in this Information Circular is derived from the independent engineering reserves evaluation of the Corporation's assets prepared by Sproule Associates Ltd. dated March 4, 2025, and effective December 31, 2024 (the "**Reserves Report**"). All reserves references in this Information Circular are "company gross reserves". Company gross reserves are the Corporation's total working interest reserves before the deduction of any royalties payable by the Corporation.

Estimates of reserves and future net revenue for individual properties may not reflect the same level of confidence as estimates of reserves and future net revenue for all properties, due to the effect of aggregation. There is no assurance that the forecast price and cost assumptions applied by Sproule in evaluating the Corporation's reserves will be attained and variances could be material. All reserves assigned in the Reserves Report are located in the Province of Alberta and presented on a consolidated basis. All evaluations and summaries of future net revenue are stated prior to the provision for interest, debt service charges or general and administrative expenses and after deduction of royalties, operating costs, estimated well abandonment and reclamation costs and estimated future capital expenditures. It should not be assumed that the estimates of future net revenues presented represent the fair market value of the reserves. The recovery and reserve estimates of the Corporation's oil, NGLs and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual oil, natural gas and NGL reserves may be greater than or less than the estimates provided herein. There are numerous uncertainties inherent in estimating quantities of crude oil, reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth herein are estimates only.

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. Proved developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves

may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty. Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned. Certain terms used in this Information Circular but not defined are defined in NI 51-101, CSA Staff Notice 51-324 – Revised Glossary to NI 51-101, Revised Glossary to NI 51-101, Standards of Disclosure for Oil and Gas Activities ("**CSA Staff Notice 51-324**") and/or the COGEH and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101, CSA Staff Notice 51-324 and the COGEH, as the case may be.

The information set forth in this Information Circular relating to reserves and future net revenues, respectively, constitutes forward-looking statements which are subject to certain risks and uncertainties. See "*Forward-Looking Statements*" in this Information Circular and see "*Risk Factors*" in the Annual Information Form.

## SELECTED ABBREVIATIONS

In this Information Circular, the abbreviations set forth below have the following meanings:

bbl	Barrel	mcf	thousand cubic feet
mdbl	thousand barrels	mcf/d	thousand cubic feet per day
bbl/d	barrels per day	mmcf	million cubic feet
NGLs	natural gas liquids	mmcf/d	million cubic feet per day
Boe/d	barrels of oil equivalent per day	MMBTU	million British Thermal Units
		Tcf	Trillion cubic feet
API	American Petroleum Institute.		
°API	An indication of the specific gravity of Crude Oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light Crude Oil.		
boe	Barrel of oil equivalent.		
Mcfe	means 1,000 cubic feet equivalent on the basis of one Bbl of crude oil for six Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either energy content or current prices).		
CO <sub>2</sub>	Carbon dioxide.		
GHG	Greenhouse gas emissions.		
Mboe	1,000 barrels of oil equivalent.		
M\$	Thousands of dollars.		
WTI	West Texas Intermediate		

## CONVERSIONS

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
bbls	Cubic metres	0.159
Cubic metres	bbls	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471
Gigajoules	Mmbtu	0.949
Mmbtu	Gigajoules	1.055

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

This Information Circular contains certain financial measures and ratios, as described below, which do not have standardized meanings prescribed by International Financial Reporting Standards ("**IFRS**"). As these non-IFRS financial measures and ratios are commonly used in the oil and gas industry, Lycos believes that

their inclusion is useful to investors. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used. The non-IFRS financial measures and ratios used in this Information Circular, represented by the capitalized and defined terms outlined below, are used by the Corporation as key measures of financial performance.

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

**"Net operating income (capital management measure)"** is calculated as total petroleum and natural gas revenues, net of blending, less royalties, less net operating expenses and transportation expenses, excluding the effects of financial derivatives. This metric is also referred to as operating netback and is an important measure to evaluate operational performance as it demonstrates asset level profitability. See the MD&A for a detailed calculation and reconciliation of operating netback to the most directly comparable measure presented in accordance with IFRS.

For further information, readers should refer to the section entitled "*Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Measures*" located in the Corporation's latest management's discussion and analysis (the "**MD&A**"), which is available on the Corporation's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

## RISK FACTORS

Shareholders should understand that, subject to the completion of the Asset Sale, Shareholders will receive the Distribution and maintain their existing equity interest in Lycos. Accordingly, Shareholders will continue to be exposed to the risks associated with the operations of the Corporation and the oil and gas industry in which it operates.

These risks include the factors affecting forward-looking statements described in this Information Circular and the risk factors set forth below, as well as those described in the Annual Information Form, and the MD&A, each of which is available under the Corporation's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

Additional risks and uncertainties, including those currently unknown to or considered immaterial by the Corporation, may also adversely affect the Corporation's business and operations going forward.

### **The Risk that the Asset Sale may not be Completed**

The Asset Sale is anticipated to be completed on or about October 15, 2025. However, Lycos and the purchaser each have rights to terminate the Asset Sale Agreement (as defined herein) in certain circumstances. As of the date of this Information Circular, there is no certainty, nor can Lycos provide any assurance, that the Asset Sale will not be terminated prior to completion. Failure to complete the Asset Sale could materially negatively impact the market price of the Common Shares. Moreover, if the Asset Sale is not completed as anticipated, or at all, there is no assurance that the Board will be able to identify an alternative transaction that delivers equivalent or superior value to Shareholders. **Further, if the Asset Sale is not completed, the Meeting will be terminated and the Distribution will not be completed.**

In addition, there can be no certainty that all conditions precedent to the Asset Sale will be satisfied or waived, nor can there be any certainty of the timing of their satisfaction or waiver. The completion of the Asset Sale is subject to a number of conditions precedent. If for any reason the Asset Sale is not completed, the market price of Common Shares may be adversely affected. A substantial delay in obtaining satisfactory approvals could also adversely affect the business, financial condition or results of operations of the Corporation.

Various costs related to the Asset Sale, such as legal, accounting and financial advisory fees, will be incurred by the Corporation regardless of whether the Asset Sale is completed.

### **Consents and Approvals**

Completion of the Asset Sale is conditional upon receiving certain consents and regulatory approvals, including approval from the TSXV. A substantial delay in obtaining satisfactory approvals or the imposition of unfavourable terms or conditions in the regulatory approvals could adversely affect the business, financial condition or results of operations of the Corporation.

## **RECORD DATE**

Only Shareholders of record as of the close of business on October 8, 2025 (the "**Record Date**") are entitled to notice of, and to attend and vote at, the Meeting except to the extent that:

- (a) such person transfers his or her Common Shares after the Record Date; and
- (b) the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes his or her ownership to the Common Shares and makes a demand to the registrar and transfer agent of the Corporation, not later than 10 days before the Meeting, that his or her name be included on the Shareholders' list for the Meeting.

Any Registered Shareholder at the close of business on the Record Date who either personally attends the Meeting or who completes and delivers a proxy will be entitled to vote or have his or her Common Shares voted at the Meeting. However, a person appointed under a form of proxy will be entitled to vote the Common Shares represented by that form only if it is effectively delivered in the manner set out under the heading "*Proxy Information – Completion of Proxies*".

## **PROXY INFORMATION**

### ***Solicitation of Proxies***

**The solicitation of proxies is made on behalf of the management of the Corporation.** The costs incurred in the preparation of the Form of Proxy, Notice of Meeting and this Information Circular and costs incurred in the solicitation of proxies will be borne by the Corporation. The Corporation is sending the securityholder materials directly to registered Shareholders ("**Registered Shareholders**"), and the Corporation will also provide the materials to brokers, custodians, nominees and other fiduciaries to forward them to non-objecting and objecting beneficial Shareholders. Solicitation of proxies will be primarily by mail, but may also be in person, by telephone or by electronic means. The Corporation is not relying on the notice-and-access provisions of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**") to send proxy-related materials to Registered Shareholders or beneficial owners of Common Shares in connection with the Meeting.

### ***Completion of Proxies***

The Form of Proxy affords Registered Shareholders or intermediaries an opportunity to specify that the Common Shares registered in their name shall be voted for or against or withheld from voting in respect of certain matters as specified in the accompanying Notice of Meeting. The persons named in the enclosed Form of Proxy are Dave Burton, the President and Chief Executive Officer of the Corporation, and Lindsay Goos, the Chief Financial Officer and Vice President, Finance of the Corporation.

A proxy must be dated and signed by the Registered Shareholder or by his or her attorney authorized in writing or by the intermediary. In the case of a Registered Shareholder that is a corporation, the proxy must be executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation with proof of authority accompanying the proxy. **IF YOUR COMMON SHARES ARE HELD BY YOUR**

**BANK, TRUST COMPANY, SECURITIES BROKER, TRUSTEE OR OTHER FINANCIAL INSTITUTION (YOUR NOMINEE), YOU ARE MOST LIKELY A BENEFICIAL SHAREHOLDER OF THE COMMON SHARES AND SHOULD REFER TO "PROXY INFORMATION – ADVICE TO BENEFICIAL SHAREHOLDERS" FOR FURTHER INSTRUCTIONS ON HOW TO VOTE BY PROXY AT THE MEETING.**

Registered Shareholders are requested to date and sign the enclosed Form of Proxy and return it to: (i) the Corporation's transfer agent, Odyssey Trust Company, by mail at Trader's Bank Building 1100, 67 Yonge St., Toronto, Ontario, M5E 1J8, Attention: Proxy Department or by email to [proxy@odysseytrust.com](mailto:proxy@odysseytrust.com), no later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournment or adjournments thereof; or (ii) the Chair of the Meeting on the day of the Meeting by email at [proxy@odysseytrust.com](mailto:proxy@odysseytrust.com), prior to the commencement of the Meeting. Alternatively, Registered Shareholders may complete their proxies online at <https://vote.odysseytrust.com>, no later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournment or adjournments thereof. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution. If a proxy is not dated, it will be deemed to bear the date on which it was mailed by management of the Corporation.

**A REGISTERED SHAREHOLDER OR AN INTERMEDIARY HOLDING COMMON SHARES ON BEHALF OF A NON-REGISTERED SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON, WHO NEED NOT BE A SHAREHOLDER, TO ATTEND AND ACT ON THEIR BEHALF AT THE MEETING, IN THE PLACE OF THE PERSONS DESIGNATED IN THE FORM OF PROXY FURNISHED BY THE CORPORATION. TO EXERCISE THIS RIGHT, THE SHAREHOLDER OR INTERMEDIARY SHOULD STRIKE OUT THE NAMES OF THE PERSONS NAMED IN THE FORM OF PROXY AND INSERT THE NAME OF THEIR NOMINEE IN THE BLANK SPACE PROVIDED, OR SUBMIT ANOTHER APPROPRIATE PROXY.**

#### ***Revocation of Proxies***

A Registered Shareholder or intermediary who has submitted a proxy may revoke it by instrument in writing executed by the Registered Shareholder or intermediary or his or her attorney authorized in writing, or, if the Registered Shareholder is a corporation, under its corporate seal and executed by a director, officer or attorney thereof duly authorized, and deposited with: (i) the Corporation's transfer agent, Odyssey Trust Company, at Trader's Bank Building 1100, 67 Yonge St., Toronto, Ontario, M5E 1J8, Attention: Proxy Department, no later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournment or adjournments thereof; or (ii) the Chair of the Meeting on the day of the Meeting by email at [proxy@odysseytrust.com](mailto:proxy@odysseytrust.com), prior to the commencement of the Meeting, and upon such deposit the previous proxy is revoked.

#### ***Exercise of Discretion by Proxies***

A Registered Shareholder or intermediary may indicate the manner in which the persons named in the enclosed Form of Proxy are to vote with respect to any matter by checking the appropriate space. On any poll, those persons will vote or withhold from voting the Common Shares in respect of which they are appointed in accordance with the directions, if any, given in the Form of Proxy. If the Registered Shareholder or intermediary wishes to confer a discretionary authority with respect to any matter, the space should be left blank. **IN SUCH INSTANCE, THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY INTEND TO VOTE THE COMMON SHARES REPRESENTED BY THE PROXY IN FAVOUR OF THE MOTION.**

The Form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing of this Information Circular, management of the Corporation knows of no such amendment, variation or other matter. However, if any other matters which are not now known to management should properly come before the Meeting, the

proxies in favour of management nominees will be voted on such matters in accordance with the best judgment of the management nominees.

### ***Advice to Beneficial Shareholders***

**The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name ("Beneficial Shareholders"). You are most likely a Beneficial Shareholder if your bank, trust company, securities broker, trustee, or other financial institution (your nominee) holds your Common Shares in their name or the name of another intermediary.** Beneficial Shareholders should note that only proxies deposited by Registered Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares on the Record Date can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker or other intermediary, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder's broker, an agent of that broker, or other intermediary. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). **Common Shares held by brokers or their agents or other nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for their clients. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate persons.**

Applicable regulatory policies require intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of that broker) is typically similar to the Form of Proxy provided to Registered Shareholders by the Corporation. However, the purpose of the broker's form of proxy is limited to instructing the Registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails a scannable voting instruction form in lieu of a form of proxy. The Beneficial Shareholder is requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, the Beneficial Shareholder can call a toll-free telephone number or access the Internet to vote the Common Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions representing the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a Broadridge voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting, as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted. Beneficial Shareholders who receive forms of proxies or voting materials from organizations other than Broadridge should complete and return such forms of proxies or voting materials in accordance with the instructions on such materials in order to properly vote their Common Shares at the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of the Beneficial Shareholder's broker (or agent of the broker), a Beneficial Shareholder may attend the Meeting as proxyholder for the Registered Shareholder and vote such Common Shares in that capacity. Beneficial Shareholders who wish to attend at the Meeting and indirectly vote their Common Shares as proxyholder for the Registered Shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent) well in advance of the Meeting.

Beneficial Shareholders who have not objected to their intermediary disclosing certain ownership information about themselves to the Corporation are referred to as non-objecting beneficial owners or "**NOBOs**". Those Beneficial Shareholders who have objected to their intermediary disclosing ownership information about themselves to the Corporation are referred to as objecting beneficial owners or "**OBOs**". The Corporation will not send its proxy-related materials directly to NOBOs under NI 54-101. However, the Corporation does intend to pay for secondary intermediaries to delivery proxy-related materials to OBOs. Broadridge is the approved intermediary for mailing proxy-related materials to Beneficial Shareholders (NOBOs and OBOs).

**If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

## INFORMATION CONCERNING THE CORPORATION

The Corporation was incorporated under the *Business Corporations Act* (Alberta) (the "**ABCA**") on May 8, 2006 as "Samoth Oilfield Inc." ("**Samoth**"). On December 12, 2022, the Corporation completed a business combination (the "**Business Combination**") with Chronos Resources Ltd. ("**Chronos**") and 2156735 Alberta Ltd. ("**AcquisitionCo**"), a wholly-owned subsidiary of the Corporation, pursuant to which Samoth: (a) appointed a new management team; (b) appointed a new board of directors; (c) acquired all of the issued and outstanding common shares of Chronos in exchange for Common Shares; (d) completed a name change from "Samoth Oilfield Inc." to "Lycos Energy Inc."; and (e) effected a share consolidation on the basis of one (1) post-consolidation Common Share for every eight (8) pre-consolidation Common Shares. Following the Business Combination, Chronos and AcquisitionCo amalgamated leaving the Corporation with a wholly-owned subsidiary named "Chronos Resources Ltd." On January 1, 2023, this subsidiary was vertically amalgamated with Lycos.

On February 28, 2023, Lycos purchased its former partner's equity interest in Chronos Duvernay Limited Partnership ("**CDLP**"). On May 1, 2023, Lycos completed a vertical amalgamation with CDLP, Chronos Duvernay GP Ltd., Chronos Duvernay Ltd., Chronos Duvernay MIS Ltd. and Chronos Duvernay Sub Co. Ltd. On September 1, 2023, Lycos amalgamated with Wyatt Resources Ltd. ("**Wyatt**") immediately following the acquisition of all of the issued and outstanding common shares of Wyatt by the Corporation. On October 16, 2023, Lycos amalgamated with Durham Creek Exploration Ltd. ("**DCEL**") immediately following the acquisition, by way of a court-approved plan of arrangement under the ABCA, of all the issued and outstanding common shares of DCEL by the Corporation.

As at the date hereof, Lycos has no material subsidiaries.

The Corporation is a reporting issuer in all Provinces of Canada other than Québec, and the Corporation's Common Shares are listed on the TSX Venture Exchange (the "**TSXV**") under the trading symbol "LCX".

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

## THE TRANSACTION

Notwithstanding the conclusion of the Corporation's strategic review process announced on May 29, 2025, the board of directors (the "**Board**") and management of the Corporation continually examine opportunities to enhance the interests of the Corporation to maximize shareholder value.

Lycos' capital allocation has resulted in an opportunity to maximize the value of the Corporation's assets in the Lindbergh, Moose Lake and Fishing Lake areas of Alberta (the "**Assets**") through the Asset Sale (as defined herein). Upon completion of the Asset Sale, each Shareholder will receive the Distribution of \$0.90 per Common Share. The record date for the Distribution (whether distributed to Shareholders by way of the

Return of Capital or payment of the Sale Dividend) will be announced by Lycos in a press release following the date of the Meeting.

### **Financial Advisor and Fairness Opinion**

National Bank Financial Inc. ("**NBF**") has acted as exclusive financial advisor to Lycos in connection with the Asset Sale. NBF has provided the Board a fairness opinion that, as at the date of the Asset Sale Agreement (as defined herein) and subject to certain qualifications, assumptions and limitations, the consideration to be received by Lycos pursuant to the Asset Sale is fair, from a financial point of view, to Lycos.

### **Recommendation of the Board and Management Team**

The Board and management team view the Asset Sale as advantageous to Shareholders as it provides a meaningful opportunity to crystallize value and return capital to shareholders. Highlights of the Asset Sale include:

- **Debt Reduction.** \$9.0 million of the net proceeds from the Asset Sale will be used to reduce fourth quarter net debt<sup>(1)</sup> to below \$1.0 million, affording the Corporation greater financial flexibility to pursue initiatives aimed at further enhancing shareholder value, including strategic mergers, acquisitions, organic growth and/or share buybacks as outlined below.
- **Cash Distribution to Shareholders.** Shareholders will receive an immediate and substantial cash distribution of \$0.90 per Common Share, as further described below.
- **Pro Forma Assets.** Following the completion of the Asset Sale, Lycos will have approximately 1,700 boe/d of oil-weighted production (97% crude oil) in Central Alberta, including Swimming, Wildmere and Viking Kinsella.
- **Strong Balance Sheet.** Lycos will have less than \$1.0 million of net debt<sup>(1)</sup> and a \$50.0 million credit facility, which will allow the Corporation to continue to opportunistically acquire new multi-lateral development prospects to drive further returns to Shareholders.

Based on the fairness opinion received from NBF and discussions with the Corporation's financial and legal advisors, among other considerations, the Board unanimously determined that the Asset Sale and the entering into of the Asset Sale Agreement was in the best interests of Shareholders.

### **The Asset Sale**

On October 7, 2025, the Corporation entered into a definitive purchase and sale agreement with an arm's length purchaser (the "**Asset Sale Agreement**") to divest of the Assets for cash consideration of \$60.0 million, subject to customary closing adjustments as provided for in the Asset Sale Agreement (collectively, the "**Asset Sale**"). The effective date of the Asset Sale is September 1, 2025, and closing is expected to occur on or about October 15, 2025, subject to the satisfaction of customary closing conditions and receipt of TSXV approval.

Lycos believes the Asset Sale is a compelling acceleration of value to Shareholder for the Assets. The Assets are currently producing approximately 940 bbl/d and had Proved Developed Producing reserves of 395 Mbbbl as at December 31, 2024, as evaluated by the Corporation's independent reserves evaluator, Sproule Associates Ltd. ("**Sproule**"). The Assets also include 21.0 (21.0 net) booked drilling locations.

Certain key sales metrics pertaining to the Assets are as follows:

- 3.4 times annualized net operating income<sup>(1)</sup>
- \$63,830 per flowing boe<sup>(2)</sup>

- \$25.80 per boe of Proved reserves of 2,326 Mbbbl
- \$19.54 per boe of Proved and Probable reserves of 3,070 Mbbbl

**Notes:**

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

(2) In respect of the Assets, flowing boe is calculated using the total cash consideration divided by the current production estimate.

Lycos intends to direct approximately \$9.0 million of the net proceeds of the Asset Sale towards debt repayment to strengthen the Corporation's balance sheet. The Corporation's lender has confirmed that its current \$50.0 million credit facility will remain in place on the same terms following closing of the Asset Sale. An additional \$47.9 million of the net proceeds will be directed towards payment of the Sale Dividend, with any remaining proceeds to be used towards general corporate purposes, including funding ongoing operations and/or working capital requirements.

The Asset Sale Agreement contains customary representations and warranties of each party and interim operational covenants by Lycos. A copy of the Asset Sale Agreement will be available for viewing on the Corporation's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

### The Return of Capital

In order to make the Distribution of \$47.9 million of the net proceeds of the Asset Sale in a tax-efficient manner for Shareholders, the Corporation is proposing the Reduction of Stated Capital and the payment of the Distribution as the Return of Capital. At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, a special resolution authorizing the Corporation to reduce the stated capital account maintained in respect of the Common Shares by \$47.9 million (the "**Reduction of Stated Capital**").

The Reduction of Stated Capital will facilitate the distribution by the Corporation to its Shareholders of an immediate and substantial cash distribution of \$0.90 per Common Share (the "**Distribution**") as a return of capital (the "**Return of Capital**"). The payment of the Distribution is contingent on the completion of the Asset Sale (as described herein), however it is not conditional upon approval of the Reduction of Stated Capital resolution. If such approval is not obtained, the Distribution will be paid as a special dividend, which, for Canadian income tax purposes, may be designated as an eligible dividend (the "**Sale Dividend**"). For a description of the principal Canadian federal income tax considerations applicable to Shareholders in connection with the Distribution, please see "*Certain Canadian Federal Income Tax Considerations*".

## COMMON SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of Common Shares, and an unlimited number of preferred shares, issuable in series. As at the date hereof, there are 53,237,528 fully paid and non-assessable Common Shares issued and outstanding, and no preferred shares issued and outstanding. The holders of the Common Shares are entitled to receive notice of all meetings of Shareholders and to attend and vote the Common Shares at all such meetings. Each Common Share carries with it the right to one vote.

The bylaws of the Corporation provide that if two persons holding not less than 5% of the issued Common Shares entitled to vote are present in person or are represented by proxy, a quorum for the purposes of conducting a Shareholders' meeting is constituted.

The Registered Shareholders set forth in "*Record Date*", above, will be entitled to vote or have his, her or its Common Shares voted at the Meeting. However, a person appointed under a Form of Proxy will be entitled to vote the Common Shares represented by that form only if it is effectively delivered in the manner set out under the heading "*Proxy Information – Completion of Proxies*".

To the best of the knowledge of the directors and executive officers of the Corporation, as at the date hereof, no persons or companies beneficially owned, directly or indirectly, or exercised control or direction

over, voting securities of the Corporation carrying more than 10% of the voting rights attached to the Common Shares.

## MATTERS TO BE ACTED UPON

The Shareholders of the Corporation will be asked to consider and, if deemed appropriate:

- (a) to authorize, by special resolution, the Board to reduce the stated capital account maintained by the Corporation in respect of the Common Shares by \$47.9 million and distribute such amount in cash as a return of capital to Shareholders; and
- (b) to transact such other business as may properly come before the Meeting or any adjournments thereof.

Additional detail regarding each of the matters to be acted on at the Meeting is contained below.

## APPROVAL OF REDUCTION OF STATED CAPITAL OF COMMON SHARES

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, approve the Reduction of Stated Capital special resolution authorizing the Board to reduce the stated capital of the Common Shares by \$47.9 million, for purposes of effecting the Return of Capital. **The Distribution (whether effected by way of the Return of Capital or the Sale Dividend) is conditional on the completion of the Asset Sale. If the Asset Sale is not completed, the Meeting will be terminated, the Reduction of Stated Capital will not be made and the Distribution will not be paid.**

The Corporation's governing statute, the ABCA, allows a corporation to reduce its stated capital provided there are no reasonable grounds for believing that (a) the corporation is, or would after the reduction be, unable to pay its liabilities as they become due, or (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities. The Board has concluded that the Corporation satisfies these tests.

If the special resolution on the Reduction of Stated Capital is approved by Shareholders at the Meeting and the Asset Sale is completed, the Board intends to distribute approximately \$47.9 million in cash to Shareholders by way of the Return of Capital. For more details, please see "*The Transaction – The Return of Capital*".

**The Board believes that the passing of the following resolution is in the best interests of the Corporation and recommends that Shareholders vote in favour of the resolution.** At the Meeting, Shareholders will be asked to approve the following special resolution:

**"BE IT RESOLVED** as a special resolution that:

1. the directors of Lycos be and are hereby authorized, without further action on the part of the holders ("**Shareholders**") of common shares ("**Common Shares**") of Lycos, to reduce the stated capital account maintained for the Common Shares (the "**Reduction of Stated Capital**") by an aggregate amount of \$47.9 million in accordance with Section 38 of the *Business Corporations Act (Alberta)*;
2. notwithstanding that this special resolution has been duly passed by the Shareholders, the board of directors of Lycos is authorized to determine at any time, in its sole discretion, not to proceed with the Reduction of Stated Capital contemplated hereby and to revoke this special resolution, without further approval of the Shareholders; and
3. any one officer or director of Lycos is hereby authorized to execute and deliver, whether under corporate seal or otherwise, all such agreements, instruments, notices, consents,

acknowledgements, certificates and other documents (including any documents required under applicable laws or regulatory policies), and to perform and do all such other acts and things, as any such officer or director in such individual's discretion may consider to be necessary or advisable from time to time in order to give effect to this special resolution."

In order for the foregoing resolution to be passed, it must be approved by at least two-thirds of the votes cast by Shareholders, in person or by proxy, at the Meeting.

**IN THE ABSENCE OF CONTRARY INSTRUCTIONS, THE PERSONS NAMED IN THE ACCOMPANYING FORM OF PROXY INTEND TO VOTE THE COMMON SHARES REPRESENTED THEREBY IN FAVOUR OF THE REDUCTION OF STATED CAPITAL SPECIAL RESOLUTION.**

The payment of the Distribution is contingent on the completion of the Asset Sale; however, it is not conditional upon approval of the Reduction of Stated Capital resolution. If such approval is not obtained, the Distribution will be paid as a special dividend, not as a return of capital, which, for Canadian income tax purposes, may be designated as an eligible dividend.

For a description of the principal Canadian federal income tax considerations applicable to the Shareholders in connection with the Distribution, please see "*Certain Canadian Federal Income Tax Considerations*" below.

#### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following summary is, as of the date of this Information Circular, a general summary of the principal Canadian federal income tax considerations applicable under the *Income Tax Act* (Canada) and the regulations promulgated thereunder (collectively, the "**Tax Act**"), generally applicable to Shareholders with respect to the Distribution who, for the purposes of the Tax Act and at all relevant times: (i) beneficially own their Common Shares; (ii) deal at arm's length with and are not affiliated with Lycos; and (iii) holds their Common Shares as capital property (a "**Holder**"). Common Shares will generally be considered to be capital property to a Holder provided that the Holder does not hold or use the Common Shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder that is (i) a "financial institution" for purposes of the mark-to-market rules in the Tax Act; (ii) a "specified financial institution" (as defined in the Tax Act); (iii) an interest in which is a "tax shelter investment" (as defined in the Tax Act); (iv) that reports its "Canadian tax results" (as defined in the Tax Act) in a currency other than Canadian currency; (v) that has entered into, or will enter into, with respect to its Common Shares, a "derivative forward agreement", "synthetic disposition arrangement" or a "dividend rental arrangement" (as those terms are defined in the Tax Act); or (vi) that is exempt from tax under Part I of the Tax Act. Such Holders to which this summary does not apply should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act in force on the date hereof, the facts set out in this Information Circular, and counsel's understanding of the current administrative and assessing policies and practices of the Canada Revenue Agency (the "**CRA**") published in writing and made publicly available by the CRA prior to the date hereof. This summary also takes into account all specific proposals to amend the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted substantially in the form proposed. However, there can be no assurance that the Proposed Amendments will be enacted in the form proposed, or at all. Except for the Proposed Amendments, this summary does not otherwise take into account or anticipate any changes in law or the administrative or assessing policies or practices of the CRA, whether by legislative, governmental or judicial action or decision, nor does it take into account any provincial, territorial or foreign income tax considerations, which may differ materially from the Canadian federal income tax considerations described in this summary.

**This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Holders should consult with their own tax advisors for advice regarding the income tax considerations applicable to them, having regard to their particular circumstances.**

### **Reduction of Stated Capital and Return of Capital**

If the special resolution approving the Reduction of Stated Capital is passed, the Distribution will be paid to Shareholders as a return of capital pursuant to a reduction of the stated capital, and in turn, the paid-up capital (as defined in the Tax Act) ("**PUC**") of the Common Shares. The Reduction of Stated Capital will reduce the PUC of the Common Shares by an amount equal to the Reduction of Stated Capital. Management of the Corporation has advised that the amount that will be paid by the Corporation to the Shareholders on the Return of Capital on the Common Shares will not exceed the PUC of the Common Shares immediately before the Reduction of Stated Capital. PUC is the aggregate of all amounts received by a corporation upon the issuance of its shares (by class), adjusted in certain circumstances in accordance with the Tax Act. PUC differs from the adjusted cost base of shares to any particular Shareholder because adjusted cost base is calculated based on the amount paid by a shareholder to acquire shares of a corporation, whether on issuance by the corporation or from a third party through the marketplace. An amount paid by a public corporation as defined for the purposes of the Tax Act to its shareholders on a reduction of the PUC in respect of any class of its shares is generally deemed to be a dividend by virtue of subsection 84(4.1) of the Tax Act. However, an exception to dividend treatment applies if the amount may reasonably be considered to have been derived from proceeds of disposition realized by the corporation, or by a person or partnership in which the corporation had a direct or indirect interest at the time that the proceeds were realized, from a transaction that occurred (i) outside the ordinary course of the business of the corporation or the person or partnership that realized the proceeds, and (ii) within the period that commenced 24 months before the payment.

The proceeds for the Distribution will be derived from the Asset Sale and will be distributed within 24 months of being realized by the Corporation. Management of the Corporation is of the view that the proceeds for the Distribution are derived from proceeds of disposition realized by the Corporation from a transaction that occurred outside the ordinary course of business of the Corporation. Accordingly, subsection 84(4.1) of the Tax Act should not apply to deem the amount paid to holders of Common Shares on the Return of Capital to be a dividend. **This determination is not free from doubt and no legal opinion or advance tax ruling has been sought or obtained in this regard. If the Return of Capital is deemed to be a dividend under the Tax Act, the provisions of the Tax Act regarding taxable dividends from a taxable Canadian corporation would apply to the Distribution and the summary below regarding the Return of Capital would not be applicable.**

### **Sale Dividend**

If the special resolution approving the Reduction of Stated Capital is not passed, the Distribution will be paid to Shareholders as a dividend and the provisions of the Tax Act regarding taxable dividends from a taxable Canadian corporation would apply to the Distribution, which would be paid by way of the Sale Dividend.

### **Resident Holders**

The following portion of this summary is applicable to a Holder who, for the purposes of the Tax Act and any applicable tax treaty or convention and at all relevant times, is or is deemed to be resident in Canada (a "**Resident Holder**"). A Resident Holder whose Common Shares might not otherwise qualify as capital property may be entitled to make, in certain circumstances, an irrevocable election in accordance with subsection 39(4) of the Tax Act to have any Common Shares and any other "Canadian securities" (as defined in the Tax Act) owned by such Holder in the taxation year in which the election is made, and all subsequent taxation years, treated as capital property. Any Holders contemplating making such an election should first consult their own tax advisors.

## *Return of Capital*

If the special resolution approving the Reduction of Stated Capital is passed, the amount received by a Resident Holder on the Return of Capital will not be included in computing the Resident Holder's income for purposes of the Tax Act, provided that the cash distributed on the Return of Capital does not exceed the PUC attributable to the Common Shares held by such Resident Holder. Management of the Corporation intends that the amount of the PUC returned on the Return of Capital should be less than the PUC of the Common Shares. To the extent that the cash distributed on the Return of Capital exceeds the PUC of such Common Shares held by such Resident Holder, such excess amount shall be deemed to be a dividend to such Resident Holder. In the event that the special resolution approving the Reduction of Capital is not passed, the entire amount of the Return of Capital should be treated as a taxable dividend received by such Resident Holder from a taxable Canadian corporation. The taxation of dividends is described below under the heading "*Resident Holders – Sale Dividend*".

A Resident Holder who receives the Return of Capital will be required to reduce the adjusted cost base of the Common Shares held by the Resident Holder by the lesser of the cash distributed on the Return of Capital and the PUC of the Common Shares held by such Non-Resident Holder. If, as a result of such reduction, a Resident Holder's adjusted cost base of Common Shares held by such Resident Holder becomes negative (*i.e.*, the amount of the reduction exceeds the adjusted cost base), such negative amount should be deemed to be a gain that is a capital gain realized by the Resident Holder in the taxation year that includes the Distribution and the adjusted cost base of such Common Shares will be nil immediately after the Distribution.

Generally, a Resident Holder is required to include in computing income for the taxation year in which the capital gain is realized one-half of the amount of any capital gain (a "**taxable capital gain**"). Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized by the Resident Shareholder in the year. Allowable capital losses in excess of taxable capital gains for the year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year, in each case generally only against net taxable capital gains realized in such years.

A Resident Holder that is, a "Canadian-controlled private corporation" (as defined in the Tax Act) throughout the relevant taxation year or a "substantive CCPC" (as defined in the Tax Act) at any time in the relevant taxation year, may also be liable to pay an additional tax (refundable in certain circumstances) on its "aggregate investment income", which is defined under the Tax Act to include an amount in respect of taxable capital gains. Resident Holders that are corporations should consult their own tax advisors.

Capital gains realized by an individual (including certain trusts) may give rise to liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act. Resident Holders who are individuals should consult their own tax advisors in this regard.

## *Sale Dividend*

If the special resolution approving the Reduction of Stated Capital is not passed, the Distribution will be paid to Shareholders as the Sale Dividend. In the case of a Resident Holder who is an individual, dividends received or deemed to be received on the Common Shares, including as a result of the Sale Dividend, should be included in computing the Resident Holder's income and should be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends from taxable Canadian corporations. If the Corporation designates the Sale Dividend to be an "eligible dividend" for the purposes of the Tax Act, the enhanced gross-up and dividend tax credit rules normally applicable to taxable dividends that are eligible dividends should apply.

A Resident Holder that is a corporation will be required to include in income the Resident Holder's share of dividends received or deemed to be received on the Resident Holder's Common Shares, but will generally be entitled to deduct such amounts in computing taxable income. In certain circumstances, subsection

55(2) of the Tax Act will treat a taxable dividend received (or deemed to be received) by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a "private corporation" or a "subject corporation", each as defined in the Tax Act, may be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on its Common Shares, to the extent such dividends are deductible in computing the Resident Holder's taxable income for the taxation year. A "subject corporation" is generally a corporation (other than a private corporation) resident in Canada and controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts).

### ***Non-Resident Holders***

The following portion of this summary is applicable to a Holder who, for the purposes of the Tax Act and any applicable tax treaty or convention and at all relevant times, is not resident or deemed to be resident in Canada and who does not use or hold (and is not deemed to use or hold) the Common Shares in connection with a business carried on in Canada (a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, may apply to a non-resident of Canada that is an insurer carrying on business in Canada or elsewhere or that is an "authorized foreign bank" (as defined in the Tax Act). Such Non-Resident Holders should consult their own tax advisors.

#### *Return of Capital*

If the special resolution approving the Reduction of Stated Capital is passed, the amount received by a Non-Resident Holder on the Return of Capital will not be subject to Canadian federal income tax (including any non-resident withholding tax under Part XIII of the Tax Act) provided that the cash distributed on the Return of Capital does not exceed the PUC of the Common Shares held by such Non-Resident Holder. Management of the Corporation intends that the amount of the PUC returned on the Return of Capital should be less than the PUC of the Common Shares. To the extent that the cash distributed on the Return of Capital exceeds the PUC of such Common Shares held by such Non-Resident Holder, such excess amount shall be deemed to be a dividend to such Non-Resident Holder. In the event that the special resolution approving the Reduction of Capital is not passed, the entire amount of the Return of Capital should be treated as a taxable dividend received by such Non-Resident Holder from a taxable Canadian corporation. The taxation of dividends is described below under the heading "*Non-Resident Holders – Sale Dividend*".

A Non-Resident Holder who receives the Return of Capital will be required to reduce the adjusted cost base of the Common Shares held by the Non-Resident Holder by the lesser of the cash distributed on the Return of Capital and the PUC of the Common Shares held by such Non-Resident Holder. If, as a result of such reduction, a Non-Resident Holder's adjusted cost base of Common Shares held by such Non-Resident Holder becomes negative (*i.e.*, the amount of the reduction exceeds the adjusted cost base), such negative amount should be deemed to be a gain that is a capital gain realized by the Non-Resident Holder in the taxation year that includes the Distribution and the adjusted cost base of such Common Shares should be nil immediately after the Distribution.

A Non-Resident Holder will not be subject to Canadian income tax under the Tax Act on any capital gain realized on any deemed disposition of a Common Share that results from the Return of Capital unless such Common Share constitutes "taxable Canadian property" (as defined by the Tax Act) to the Non-Resident Holder, and is not "treaty-protected property" (as defined in the Tax Act).

Provided that the Common Shares are listed on a "designated stock exchange" for the purposes of the Tax Act (which includes the TSXV) at a particular time, the Common Shares generally will not constitute taxable Canadian property to a Non-Resident Holder at that time unless, at any time during the 60-month period immediately preceding that time: (i) 25% or more of the issued shares of any class or series of the Corporation's capital stock were owned by any combination of (a) the Non-Resident Holder, (b) persons with whom the Non-Resident Holder did not deal at arm's length, and (c) partnerships in which the Non-

Resident Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; and (ii) more than 50% of the value of the Common Shares was derived, directly or indirectly, from one or any combination of (a) real or immovable property situated in Canada, (b) "Canadian resource properties", (c) "timber resource properties", and (d) options in respect of, or an interest in, any such property (whether or not the property exists), all for purposes of the Tax Act. A Non-Resident Holder's Common Shares can also be deemed to be taxable Canadian property in certain circumstances set out in the Tax Act.

A Non-Resident Holder who disposes or is deemed to dispose of a Common Share that, at the time of disposition, is taxable Canadian property and is not treaty-protected property will generally be subject to the income tax consequences discussed above under the heading "*Resident Holders – Return of Capital*".

#### *Sale Dividend*

If the special resolution approving the Reduction of Stated Capital is not passed, the Distribution will be paid to Shareholders as the Sale Dividend. Dividends paid or credited, or deemed to be paid or credited, by the Corporation to a Non-Resident Holder or a partnership that is not a "Canadian partnership" of which a Non-Resident Holder is a member, as defined in the Tax Act, will be subject to Canadian non-resident withholding tax on the amount of such dividends received, or deemed to be received.

Dividends paid or credited, or deemed to be paid or credited, on a Non-Resident Holder's Common Shares will generally be subject to withholding tax under Part XIII of the Tax Act at a rate of 25% on the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax treaty or convention. Non-Resident Holders should consult their own tax advisors to determine their entitlement to relief under any applicable income tax treaty or convention.

#### **Tax and Legal Consequences in Other Jurisdictions**

In the event a Shareholder is subject to the income or other tax or other legal regime of any other jurisdictions, such Shareholder should consult their tax and legal advisors with respect to the tax or other legal consequences of the Distribution applicable to them.

### **OTHER MATTERS COMING BEFORE THE MEETING**

The Board knows of no other matters to come before the Meeting other than as referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the Common Shares represented by proxy solicited hereby will be voted on such matters in accordance with the best judgement of the person voting such proxy.

### **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

No director or executive officer of the Corporation, nor any of their associates or affiliates, nor any employee of the Corporation is or has been indebted to the Corporation since the beginning of the most recently completed fiscal year of the Corporation, nor is, or at any time since the beginning of the most recently completed fiscal year of the Corporation has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

There are no material interests, direct or indirect, of directors, executive officers of the Corporation or any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares or any known associate or affiliate of such persons, in any transaction since the commencement of the Corporation's most recently completed financial year.

Sanjib Gill, the Corporate Secretary of the Corporation, is a partner of the national law firm Stikeman Elliott LLP, which law firm rendered legal services to the Corporation.

#### **INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON**

Other than as disclosed in this Information Circular, management of the Corporation is not aware of any material interest, direct or indirect, of any director or nominee for director or executive officer or anyone who has held office as such since the beginning of the Corporation's last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Financial information of the Corporation is provided in the Corporation's comparative annual financial statements and MD&A for its most recently completed financial year. Copies of these documents may be obtained by contacting the Corporation's Chief Financial Officer at Suite 1900, 215 – 2nd Street S.W., Calgary, Alberta, T2P 1M4, by phone at 403-453-1950, or on the Corporation's SEDAR+ profile.