MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS

For the three months ended March 31, 2023

Management's Discussion of Financial Results ("MDFR") is provided to assist readers in the assessment of the results of operations, liquidity and capital resources of White Owl Energy Services Inc. ("White Owl" or the "Company" or the "Corporation") as at and for the three months ended March 31, 2023. White Owl is a private company and is not required to prepare and file Management's Discussion and Analysis ("MD&A") in accordance with regulatory requirements in Canada or the United States ("US"). **This MDFR does not constitute an MD&A for the purposes of Canadian or US securities laws and may not include all the information that might otherwise be required or expected thereunder.**

This MDFR is based on information available to May 24, 2023, and should be read in conjunction with White Owl's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023 and 2022 as well as the audited consolidated financial statements for the years ended December 31, 2022 and 2021. The financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts are stated in Canadian dollars unless otherwise noted.

FIRST QUARTER MARCH 31, 2023 HIGHLIGHTS

Highlights for the three months ended March 31, 2023, are summarized as follows:

- Q1 2023 EBITDA from continuing operations totaled $1,412,000 compared to $1,628,000 for Q1 2022 when the net realized oil price was 16% higher than the average for the current quarter.
- Fluid disposal revenues at White Owl's Saltwater Disposal ("SWD") facilities increased 62% to $2,568,000 for Q1 2023 from $1,590,000 for Q1 2022 with disposal volumes increasing 43% to average 39,504 barrels per day ("bpd") for the current quarter from 27,718 bpd for Q1 2022 due to improved drilling and completion activity across North Dakota during the past year. At March 31, 2023, there were 45 drilling rigs operating in North Dakota compared to 34 rigs at March 31, 2022 and 27 rigs at the beginning of 2022.
- Recovered oil revenues decreased 14% to $1,696,000 for Q1 2023 from $1,972,000 for Q1 2022 as volumes remained steady at 18,539 barrels for the current quarter compared to 18,623 barrels for Q1

2022. Oil recovery can vary from month to month and depends on the mix of trucked-in, pipeline (little or no oil content) and flowback volumes.

- The average realized net oil price ("netback price") received for White Owl's recovered oil volumes decreased 19% for Q1 2023 to US$67.64 from US$83.61 for Q1 2022. A positive North Dakota differential of US$1.20 per barrel for Q1 2023 over the West Texas Intermediate price ("Positive Differential") benefited the netback price for the current quarter. For Q1 2022, the Positive Differential was US$0.62 per barrel.

- In Canada, the loss from discontinued operations decreased to $56,000 from $303,000 for Q1 2022 due to the elimination of the operating losses associated with the Clairmont Terminal which was sold to the joint venture partner in Q4 2022.

- Fluid volumes disposed by the Epping SWD facility increased 34% to 7,500 bpd for Q1 2023 from 5,600 bpd for the 2022 year following commissioning of the second disposal well and connecting pipeline in the fourth quarter. This well has resulted in increased injection capacity at the Epping SWD facility of up to 18,000 bpd compared to 6,000 bpd previously.

- In Q1 2023, the Alexander Class 1 facility recorded minimal disposal volumes and revenues due to winter conditions. However, with warming temperatures in April and May 2023 disposal volumes have improved significantly to approximately 20,000 barrels per month to date as heavy snowfall late in 2022 and in the first quarter of 2023 filled the region's leachate ponds.

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

($000's, unless otherwise noted)	Three months ended March 31, 2023	2022(2)	%
Continuing operations			
North Dakota operations			
Disposal volumes (Bbls)	**3,555,392**	2,494,601	43%
Recovered oil sales volumes (Bbls)	**18,539**	18,623	0%
Disposal revenue ($ per Bbl)	**$0.72**	$0.64	13%
Oil sales revenue ($ per Bbl)	**$91.49**	$105.89	-14%
Operating costs and royalties ($ per Bbl)	**$0.68**	$0.62	10%
North Dakota disposal and services revenue			
Disposal revenue	**$2,568**	$1,590	62%
Oil sales revenue	**1,696**	1,972	-14%
Other revenue	**88**	70	26%
Total revenue – continuing operations	**4,352**	3,632	20%
Operating costs and royalties	**(2,429)**	(1,543)	57%
Operating income(1) – continuing operations	**$1,923**	$2,089	-8%
General and administrative expenses ("G&A")	**(511)**	(461)	11%
EBITDA (1) continuing operations	**$1,412**	$1,628	-13%
Other income and expenses			
Depreciation	**(471)**	(406)	16%
Amortization	**(16)**	(15)	7%
Finance costs	**(248)**	(199)	25%
Gain on disposal of property, plant and equipment - net	**9**	-	100%
Share-based payments	**(18)**	(12)	50%
Foreign exchange gain	**1**	138	-99%
Gain on loan payable forgiveness	**-**	511	-100%
Income tax expense	**(4)**	(1)	300%
Net income from continuing operations (3)	**$665**	$1,644	-60%
Loss from discontinued operation	**(56)**	(303)	-82%
Net income	**$609**	$1,341	-55%

(1) Refer to "Non-GAAP Measures" for additional information.

(2) The Clairmont remaining assets are considered to be a discontinued operation for accounting purposes. The comparative financial information in the table above has been re-presented to show the discontinued operation separately from the continuing operations. Please see Alberta on Page 6.

With the improved market conditions continuing into 2023, fluid disposal volumes increased 43% for Q1 2023 compared to Q1 2022. Recovered oil volumes can vary from month to month and while total oil volumes remained flat for Q1 2023 relative to Q1 2022, average monthly oil volumes increased 9% to 6,180 barrels for the current quarter from 5,660 barrels for the 2022 year.

Total revenues from continuing operations increased 20% for Q1 2023 over Q1 2022, with the 62% increase in fluid disposal revenues more than offsetting lower recovered oil revenues which decreased 14% in response to lower oil prices. Operating costs and royalties per barrel from continuing operations of fluid disposed from continuing operations increased 10% to $0.68 for Q1 2023 from $0.62 for Q1 2022 due to the Corporation's disposal facilities returning to full staffing levels to handle the increased disposal volumes, as well as inflationary pressures on all input costs. The unit cost also increased due to operating costs incurred for the second Epping well in advance of anticipated disposal volumes. In summary, Q1 2023 EBITDA from continuing operations totaled $1,412,000 compared to $1,628,000 for Q1 2022.

North Dakota – Continuing Operations

Operating Income:

Q1 2023 operating income decreased 8% to $1,923,000 from $2,088,000 for Q1 2022 as higher fluid disposal revenues (up 62%) were offset by lower recovered oil revenues (down 14%) and higher operating costs (up 57%). As discussed above, the increase in operating expenses is mainly attributable to the processing of higher disposal volumes and the commissioning of the Epping second disposal well. Also, the Company experienced higher input costs, especially labour as the SWD facilities were returned to full staffing levels in 2022 and wages were increased to attract and retain personnel in a very tight labour market.

Volumes:

Drilling and completion activity across North Dakota has been improving for the past eighteen months with the rig count increasing over the same period to 45 rigs at March 31, 2023 from 27 rigs at the beginning of 2022. The increased activity has resulted in increased flow back and early production water volumes at all locations. Fluid disposal volumes include trucked production and flowback water (New Town, Watford City, Ross, Tioga and Epping facilities), pipeline water (Tioga, Epping and Watford City facilities) as well as non-hazardous industrial water disposed of by the Alexander facility.

With the increased activity, fluid disposal volumes have increased 43% to average 39,504 bpd for Q1 2023 from 27,718 bpd for Q1 2022. The current quarter's disposal volumes are 30% higher than the 2022 year's average of 30,468 bpd.

Flowback volumes which are rich in oil content, more than doubled to 3,049 bpd for Q1 2023 from 1,429 bpd for Q1 2022 and are 31% higher than the 2022 year's average of 2,525 bpd. In particular, flowback volumes at the Ross SWD facility increased twelve-fold to 1,852 bpd for Q1 2023 due to increased activity by area producers. Flowback water commands a higher disposal fee than production water and is currently 8% of fluid disposal volumes compared to 5% for Q1 2022. The increased flowback water is due to higher well completion activity by area producers.

Non-hazardous industrial water disposal volumes are included in total fluid disposal volumes mentioned above and were minimal in Q1 2023 and Q1 2022 because of winter's freezing temperatures which prevent transportation of this class of water. However, with warming temperatures in April and May disposal volumes have improved significantly to approximately 20,000 barrels per month, as heavy snowfall late in 2022 and in the first quarter filled the region's leachate ponds.

Recovered oil volumes per month increased 9% to 6,180 barrels for Q1 2023 from the monthly average of 5,660 barrels for the 2022 year and totaled 18,539 barrels for the current quarter compared to 18,623 barrels for Q1 2022.

Revenue and Pricing:

Total revenues increased 20% to $4,352,000 for Q1 2023 from $3,632,000 for Q1 2022 mainly due to fluid disposal revenues increasing 62% to $2,568,000 from $1,590,000. The increased fluid disposal revenues more than offset lower recovered oil revenues which decreased 14% to $1,696,000 for Q1 2023 from $1,972,000 for Q1 2022 due to lower market pricing.

Oil sales continue to be a material component of revenues and accounted for 39% of total revenues for Q1 2023 compared to 54% for Q2 2022. Although oil volumes remained virtually unchanged, the realized net oil price decreased due to softer WTI prices. The average West Texas Intermediate price (“WTI”) decreased 19% to US$76.11 per barrel for Q1 2023 from US$94.22 per barrel for Q1 2022, while the Corporation’s realised net oil price averaged US$67.64 per barrel for Q1 2023 versus US$83.61per barrel for Q1 2022. White Owl’s netback oil price is determined as the WTI average oil price less deductions for trucking costs, taxes and the addition of the Positive Differential (US$1.20 per barrel for Q1 2023 versus US$0.62 per barrel for Q1 2022).

Fluid disposal revenues also include flowback revenues which more than doubled to $376,000 for Q1 2023 from $165,000 for Q1 2022, as flowback volumes increased 113% and flowback pricing increased 4% between the two quarters.

Other revenue which includes recoveries from joint venture operations increased to $88,000 for Q1 2023 from $70,000 for Q1 2022. The increase is mainly due to fees (computed as a percentage of operating costs) charged by the Corporation for administration of the Epping SWD facility which commissioned a second disposal well in 2022 resulting in increased operating costs.

Operating Costs:

In response to the increased disposal volumes, the Company has returned field staffing to pre-COVID levels. This has required the hiring of personnel and an increase in hourly rates and salaries to attract and retain people in a very tight labour market. The cost of other materials and services has also increased due to inflationary pressures. Despite these increases in operating costs, management has not been able to offset these increases with higher disposal fees due to competitive pressures at most locations.

On a per barrel basis, operating costs and royalties increased 10% to $0.68 for Q1 2023 from $0.62 for Q1 2022. This increase was driven mainly by operating costs associated with the Epping second well in anticipation of increasing volumes as well as inflationary pressures on all materials and services. In summary, North Dakota operating costs increased 57% to $2,429,000 for Q1 2023 from $1,543,000 for Q1 2022 as the increased facility capacity utilization levels resulted in higher expenses for utilities, chemicals, repairs and maintenance and staffing expenses.

Please see **REVENUE AND OPERATING INCOME (LOSS) BY FACILITY** on Page 7.

Alberta – Discontinued Operation

On October 14, 2022, the Company closed the disposition of the Clairmont Terminal assets and associated liabilities for $1,400,000 ($1,250,000 net of costs), prior to closing adjustments. The disposition consisted of Clairmont Terminal property, plant and equipment, four associated wells and associated decommissioning liabilities and surface lease liabilities. The Company plans to abandon the remaining oil and gas wells at Clairmont in 2023 and complete all reclamation work in the years 2024 to 2025. Effective November 21, 2022, for accounting purposes, the Clairmont remaining assets are considered to be a discontinued operation.

The comparative financial information in the table on Page 3 has been re-presented to show the discontinued operation separately from continuing operations.

On May 24, 2023, the Company approved the disposition of its wholly owned subsidiary White Owl Energy Services Ltd. for nominal consideration, subject to closing conditions and adjustments. The disposition includes cash and cash equivalents, deposits, accounts receivable, oil and gas property, plant and equipment and the assumption of accounts payable, promissory notes, surface lease liabilities and all decommissioning liabilities associated with the Clairmont oil and gas assets.

Operating Results:

The Q1 2023 operating loss of $56,000 relates to the fixed costs associated with the Clairmont shut-in oilfield, while the operating loss of $303,000 for Q1 2022 also included Clairmont Terminal operating losses which were eliminated when this asset was sold to a joint venture partner effective 1, 2022.

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REVENUE AND OPERATING INCOME (LOSS) BY FACILITY

	Three months ended March 31,		
($000's)	**2023**	2022[(2)]	%
Oilfield waste disposal and oil sales			
New Town	**1,360**	1,593	-15%
Watford City	**980**	646	52%
Ross	**1,387**	633	119%
Alexander	**8**	3	167%
Tioga JV	**307**	542	-43%
Epping JV	**222**	145	53%
	4,264	3,562	20%
Other revenue	**88**	70	26%
Revenue from continuing operations	**4,352**	3,632	20%
Revenue discontinued operation	**-**	173	-100%
Total revenue	**4,352**	3,805	14%
Operating income (loss) from continuing operations			
New Town	**638**	959	-33%
Watford City	**489**	307	59%
Ross	**667**	397	68%
Alexander	**(77)**	(61)	26%
Tioga JV	**68**	362	-81%
Epping JV	**50**	54	-7%
	1,835	2,018	-9%
Other revenue	**88**	70	26%
Operating income [(1)] from continuing operations	**1,923**	2,088	-8%
Operating loss [(1)] discontinued operation	**(27)**	(252)	-89%
Total operating income [(1)]	**1,896**	1,836	3%

(1) Refer to "Non-GAAP Measures" for additional information.

(2) Comparative information has been re-presented due to a discontinued operation. Please see "Alberta", Page 6.

New Town SWD Facility

Environmental and Safety:

There were no spills, environmental incidents, or safety incidents in the first quarter of 2023.

Operating Income:

Although fluid disposal volumes increased 15%, operating income decreased 33% to $638,000 for Q1 2023 from $959,000 for Q1 2022 mainly due to lower recovered oil volumes and lower recovered oil pricing. In 2022, oil volume sales for the first quarter reached a record quarterly high, when the realized net oil price was 21% higher than current quarter pricing.

Volumes:

Due to its location adjacent to the Berthold reservation, the New Town SWD facility continues to have the highest average fluid disposal and recovered oil volumes of any White Owl site. Q1 2023 fluid disposal volumes increased 15% to 13,243 bpd from 11,550 bpd for Q1 2022 and were 7% higher than the average of 12,403 bpd for the 2022 year.

Flowback volumes are low at this facility due to low pricing charged by area competitors. Flowback disposal volumes averaged 227 bpd, up 21% from 187 bpd for Q1 2022 and up 34% from the average of 170 bpd for the twelve months ended December 31, 2022.

Despite minimal flowback volumes and measures introduced by certain area producers in late 2022 to reduce the oil content of the water being trucked to the site, recovered oil volumes in the first quarter were relatively strong, averaging 2,100 barrels per month compared to an average of 2,500 barrels per month in 2022. Recovered oil sales totaled 6,225 barrels for Q1 2023, down 33% from 9,265 barrels for Q1 2022. The current quarter's recovered oil sales represent 34% of the Corporation's total North Dakota recovered oil volumes for Q1 2023 compared to 50% for Q1 2022 and 44% for the 2022 year.

Revenues and Pricing:

Total revenues decreased 15% to $1,360,000 for Q1 2023 from $1,593,000 for Q1 2022 mainly due to the lower recovered oil volumes and oil pricing. Fluid disposal revenues increased 26% to $789,000 for Q1 2023 from $626,000 for Q1 2022, and oil revenues decreased 41% to $572,000 for the current quarter from $967,000 for the prior year comparable quarter due to the lower oil recovery and pricing. For the three months ended March 31, 2023, the netback price for this site decreased 18% to US$67.94 per barrel from US$82.41 per barrel for Q1 2022.

Operating Costs and Royalties:

Operating costs averaged $0.61 per barrel for Q1 2023, unchanged from $0.61 per barrel for Q1 2022. For the three months ended March 31, 2023, operating costs increased 14% to $722,000 from $634,000 for Q1 2022, mainly due to the increase in volumes (up 15%). Management plans a significant but required maintenance and repairs project at New Town to remove Injection Skid #1 and clean up the underlying contaminated soil and this project is scheduled for Summer 2023. The estimated costs of $450,000 for this project have been accrued in the condensed consolidated interim financial statements of White Owl for the three months ended March 31, 2023.

Capital Project:

Maintenance capital projects approved for 2023 include upgrading the stormwater ponds, upgrading the electrical system, and installing a new electrical house that will hold the Programmable Logic Controller (PLC) and the Motor Control Center (MCC). In addition, an 800-hp horizontal pump is being acquired to replace the existing 600-hp rental pump. This 800-hp pump is estimated to increase plant disposal capacity by approximately 3,000 bpd.

Watford City SWD Facility

Environmental and Safety:

There were no spills, environmental or safety incidents for the three months ended March 31, 2023.

Operating Income:

Q1 2023 operating income increased 59% to $489,000 from $307,000 for Q1 2022 due to increased area activity resulting in higher fluid disposal volumes (up 39%) and recovered oil volume sales (up 63%).

Volumes:

Increased well completion activity in the Watford City area led to fluid disposal volumes increasing 39% to 9,255 bpd for Q1 2023 from 6,653 bpd for Q1 2022. In August 2022, pipeline volumes resumed after an absence of eighteen months and averaged 872 bpd for Q1 2023, while oil-rich flowback volumes increased 64% to 417 bpd for the current quarter from 255 bpd for Q1 2022.

With the higher flowback volumes, oil sales increased 63% in the first quarter to 4,305 barrels from 2,636 barrels for the prior year comparable quarter.

Revenues and Pricing:

For the three months ended March 31, 2023, total revenues at the Watford City SWD facility increased 52% to $980,000 from $646,000 for Q1 2022, due to the increased volumes as discussed above. Recovered oil revenues increased 39% to $392,000 for Q1 2023 from $282,000 for Q1 2022 even though oil pricing decreased. The net realized oil price for this site decreased 20% to US$67.36 for Q1 2023 from US$84.40 for Q1 2022.

Operating Costs and Royalties:

Operating costs were $491,000 ($0.59 per barrel) for Q1 2023 compared to $339,000 ($0.57 per barrel) for Q1 2022. The increase is mainly due to the increased disposal volumes and repairs and maintenance to the injection pump and its electrical drive. In addition, labour costs increased as the site is now staffed 24 hours per day to handle the higher volumes, and there have been inflationary pressures on all other input costs.

Capital Projects:

Minimal capital projects are planned for the facility in 2023.

Ross SWD Facility

Environmental and Safety:

There were no spills, environmental incidents, or safety incidents in the first quarter of 2023.

Operating Income:

Increased drilling and completion activity by area producers especially during the last six months of 2022, led to operating income for the Ross SWD facility increasing 68% to $667,000 for Q1 2023 from $397,000 for Q1 2022.

Volumes:

For the three months ended March 31, 2023, fluid disposal volumes more than tripled to 12,388 bpd for Q1 2023 from 3,739 bpd for Q1 2022. The increase in disposal volumes is due to increased well completion activity by area producers, especially over the second half of 2022. As a result, oil-rich flowback volumes increased more than twelve-fold to 1,852 bpd for Q1 2023 from 145 bpd for Q1 2022. Flowback volumes are expected to remain strong during 2023 due to continuing drilling and completion activity by area producers.

The increased flowback volumes led to recovered oil volumes increasing 47% to 5,645 barrels for Q1 2023 from 3,850 barrels for Q1 2022.

Revenues and Pricing:

Total revenues more than doubled to $1,387,000 for Q1 2023 from $633,000 for Q1 2022. The significant increase in Q1 2023 revenues is mainly due to higher fluid disposal and recovered oil volumes, as discussed above.

Recovered oil revenues increased 25% to $517,000 for Q1 2023 from $412,000 for Q1 2022 as the increased volumes more than offset lower oil pricing. The netback price for recovered oil sales at this site decreased 20% to US$67.70 per barrel for Q1 2023 from US$84.55 per barrel for Q1 2022. Flowback water revenues contributed $230,000 to this facility’s total revenues for Q1 2023 compared to $17,000 for Q1 2022, while flowback pricing remained flat.

Operating Costs and Royalties:

Operating costs and royalties averaged $0.65 per barrel for Q1 2023 compared to $0.70 per barrel for Q1 2022 as the economies of scale from the significantly increased volumes offset the higher manpower costs and inflationary increases on materials and other services. As a result of the higher disposal volumes, the site now has operators onsite 24 hours per day compared to unmanned operations a year ago. The tripling of disposal volumes led to total operating costs increasing to $720,000 for Q1 2023 from $236,000 for Q1 2022.

Capital Projects:

Approved maintenance capital projects include installing a rural water connection, completing the de-sand tank upgrade and bypass piping that was started in 2022. The electrical system is also being upgraded to allow for the installation of a second rental pump which is expected to increase injection capacity.

Alexander Class 1 Facility

White Owl currently operates the only permitted Class 1 facility in North Dakota. There is one other permitted Class 1 facility in the State, but it is not currently operating.

White Owl's Class 1 water disposal business was established in 2019 with the conversion of the underutilised Alexander Class 2 SWD to Class 1 disposal. The customer base includes producers, pipeline operators and landfill operators. The Class 1 facility accepts non-hazardous industrial fluids (versus Class 2 disposal which is for oilfield fluids only) including pipeline test water, refinery wastewater, landfill leachate, oil terminal runoff, vacuum truck rinsate, gas plant cooling tower cleaning waste, waste compressor fluids, pipeline pit wastewater and pesticide rinsate. Although there are significant volumes of Class 1 water generated in North Dakota, White Owl believes that many generators of Class 1 non-hazardous industrial fluids continue to use Class 2 facilities for disposal. This practice should decline over time as regulatory enforcement will redirect generators to Class 1 facilities. During 2022, the Class 1 customer base expanded due to the growing recognition that a local Class 1 disposal service is readily accessible. The alternatives for waste generators are unauthorised disposal in Class 2 facilities or shipping to Class 1 treatment facilities in adjoining States.

Environmental and Safety:

There were no spills, environmental incidents, or safety issues during the first quarter of 2023.

Volumes:

Alexander volumes for Q1 2023 were minimal, with 1,000 barrels disposed for the quarter compared to 345 barrels disposed for Q1 2022. This is not unusual for winter months as freezing temperatures prevent the transportation of non-hazardous industrial wastewater which is mainly fresh water as opposed to saltwater volumes disposed by White Owl's other facilities.

With warming temperatures, disposal volumes at this site have improved significantly in April 2023, exceeding 22,000 barrels for the month. Heavy snowfall late in 2022 and in 2023 to date has filled the region's leachate ponds, which has led to significantly improved volumes for Q2 2023 for this facility.

Operating Loss:

As a result of the seasonally low volumes over the winter months, Alexander recorded an operating loss of $77,000 for Q1 2023 compared to an operating loss of $61,000 for Q1 2022.

Capital Projects:

Minimal capital projects are planned for this facility in 2023.

Tioga SWD JV Facility

The discussion below is based on total volumes for the facility while the financial information represents White Owl's 47% interest in the Tioga JV.

Environmental and Safety:

There were no spills, environmental incidents, or safety incidents in the first quarter of 2023.

Operating Income:

Operating income decreased to $68,000 for Q1 2023 from $362,000 for Q1 2022 due to lower fluid disposal and recovered oil volumes and increased operating costs. The current quarter's operating costs included $93,700 for solid waste disposal costs.

Volumes:

Fluid disposal volumes have decreased 46% to 4,226 bpd for Q1 2023 from 7,839 bpd for Q1 2022. The reduction in volume is due to lower activity in the area and the change of operatorship on local wells with a significant customer entering into an operating agreement with its joint venture partner who has its own disposal wells. Absent new activity in the area the current level of fluid disposal is expected to continue. Several producers are actively permitting and drilling wells in the area and there is the potential for higher volumes.

The lower disposal volumes led to recovered oil volumes decreasing 33% to 3,825 barrels from 5,705 barrels for Q1 2022.

Revenues and Pricing:

Total revenues for this facility decreased 43% to $307,000 for Q1 2023 from $542,000 for Q1 2022 due to the lower fluid disposal and recovered oil volumes. Pricing for production water remained flat while the realized oil netback price decreased 21% to average US$67.32 per barrel for Q1 2023 from US$85.75 per barrel for the Q1 2022.

Operating Costs and Royalties:

Operating costs and royalties averaged $1.34 per barrel for Q1 2023 compared to $0.54 per barrel for Q1 2022. In particular, the current quarter's operating costs include solid waste disposal costs of $93,700 or $0.52 per barrel. Even though overall volumes have decreased, the flowback water being delivered to the site requires that operators be onsite at all hours. Therefore, increased labour costs and disposal costs for cleaning solids from the tanks as well as inflationary pressures on other input costs resulted in Q1 2023 operating costs increasing 33% to $239,000 from $180,000 for Q1 2022.

Capital Projects:

Minimal capital projects are planned for the facility in 2023.

Epping SWD JV Facility

The commissioning of the 2nd injection well and connecting pipeline in November 2022 has resulted in injection capacity at the Epping JV SWD facility increasing to approximately 18,000 bpd, compared to 6,000 bpd previously.

In Q2 2022, White Owl increased its participation in the Epping Joint Venture by 2.5%, to hold a 35% interest in the Joint Venture, which became effective on November 1, 2022, when the second well and connecting pipeline were commissioned and commenced accepting fluid volumes for disposal. White Owl earned this increased working interest by funding an additional portion of the second well's capital costs.

The discussion below is based on total volumes for the facility while the financial information represents White Owl's 35% interest in the Epping JV.

Environmental and Safety:

There was a reportable spill at the facility on February 15, 2023. Approximately 15 barrels of fluid were spilled from the top of the tanks in the tank farm onto the lined containment area. The spill was immediately cleaned up and the North Dakota Industrial Commission was notified.

Operating Income:

Operating income remained relatively flat at $50,000 for Q1 2023 compared to $54,000 for Q1 2022 as increased fluid disposal and recovered oil volumes and revenues were offset by higher operating costs.

Volumes:

With the second injection well and connecting pipeline fully commissioned, total volumes in the first quarter increased 18% to 7,488 bpd for Q1 2023 from 6,327 bpd for Q1 2022. Volumes were impacted by bad weather in January and March which reduced truck traffic.

Significantly, recovered oil volumes almost tripled to 1,617 barrels for Q1 2023 from 587 barrels for Q1 2022, although oil recovery at this facility is impacted by the higher proportion of pipeline volumes which have less oil content.

With lower volumes of pipeline connected produced water being delivered, the site has the capacity to attract flowback volumes from drilling and completion in the area. Flowback volumes averaged 315 bpd for Q1 2023 compared to 50 bpd for Q1 2022 and compared to an average of 105 bpd for the 2022 year.

Marketing efforts to increase disposal volumes at this site remain a focus for the Corporation and these efforts are beginning to pay off with increased truck traffic. Furthermore, several producers are completing wells in the area which is expected to result in higher flowback volumes and greater oil recovery.

Revenues and Pricing:

Total revenue net to White Owl increased 53% to $222,000 for Q1 2023 from $145,000 for Q1 2022. Pricing for trucked water has decreased 10% due to competitive pressures, while pipeline water pricing has remained flat as it is contract based. Flowback pricing decreased 17% for Q1 2023 relative to Q1 2022 when flowback volumes included oilfield surface wastewater which commanded a higher disposal price. Consistent with the other facilities, the net realized oil price decreased 18% to US$67.01 per barrel from US$82.04 per barrel for Q1 2022.

Operating Costs and Royalties:

Operating costs averaged $0.73 per barrel for Q1 2023 compared to $0.49 per barrel for Q1 2022. The increase in unit cost is mainly due to increased operating costs associated with fully manning the plant in advance of anticipated disposal volume increases. In summary, total operating expenses increased 89% to $172,000 for Q1 2023 from $91,000 for Q1 2022 and included costs for repairs and maintenance, utilities and chemical costs. In addition, labour costs increased with a return to full staffing levels.

Capital Projects:

Minimal capital projects are planned for 2023. A sump collection system for the truck offloads will be added and the truck offload for lane 1 will be moved to utilize the sump collection system.

Canada

Discontinued Operation:

As described on Page 6 under **Alberta**, effective November 21, 2022, subsequent to the Clairmont Terminal and four associated wells being sold to a joint venture partner, the remaining oil and gas assets at Clairmont are considered to be a discontinued operation for accounting purposes.

With this sale, the corporation is focusing on the active North Dakota market. The gross sales proceeds of $1,400,000 (net proceeds of $1,250,000) will be reserved for abandonment and reclamation costs for the shut-in oilfield which remains with White Owl.

Disposal of Remaining Oil and Gas Assets

As discussed above on Page 6, on May 24, 2023, the Company approved the disposition of its wholly owned subsidiary White Owl Energy Services Ltd. which holds the remaining oil and gas assets. The consideration is for a nominal amount, and the transaction is subject to closing conditions and adjustments. The disposition includes cash and cash equivalents, deposits, accounts receivable, oil and gas property, plant and equipment and the assumption of accounts payable, promissory notes, surface lease liabilities and all decommissioning liabilities associated with the Clairmont oil and gas assets.

Well Abandonments:

The oilfield adjacent to the Clairmont Terminal was permanently shut-in by White Owl in 2019. After the Clairmont Terminal sale, 27 wellbores remain of which two were abandoned by previous owners and six were abandoned by White Owl, leaving 19 wellbores to be abandoned. As stated under *Discontinued Operation* above, White Owl has reserved the net proceeds from the sale of the Clairmont Terminal and the funds on deposit with the Alberta Energy Regulator towards abandonment and reclamation costs for the shut-in oilfield.

In Q1 2023, White Owl incurred abandonment costs of $159,000 on environmental phase1 and phase 2 studies. Absent disposal of the remaining oil and gas assets as discussed above, the Corporation is planning to complete abandonment of the well bores in 2023 and to complete all reclamation in 2024 and 2025.

Environmental and Safety:

There were no spills, environmental or safety incidents in the three months ended March 31, 2023.

Net Loss from Discontinued Operation:

Due to the elimination of operating losses after the sale of the Clairmont Terminal in Q4 2022, the net loss from discontinued operation decreased significantly to $56,000 for Q1 2023 from $304,000 for Q1 2022.

($000's)	Three months ended March 31, 2023	2022
Revenue	**-**	173
Expenses		
Operating costs	**28**	425
General and administrative	**2**	20
Depreciation	**31**	11
Finance costs	**5**	20
Gain on abandonment	**(10)**	-
Net loss from discontinued operation	**(56)**	(303)

OTHER REVENUE

Other revenue includes operational, administration and capital fees charged by White Owl for services provided by White Owl to the Tioga JV and Epping JV. For the three months ended March 31, 2023, other revenue increased to $88,000 from $70,000 for Q1 2022. The increase in other revenue is mainly due to higher operating costs for both the Epping JV and Tioga JV for Q1 2023 relative to Q1 2022. Pursuant to the LLC Operating Agreements for each joint venture, the Corporation charges a monthly fee to administer the day-to-day operations.

G&A EXPENSES

($000's)	Three months ended March 31, 2023	2022
Salaries and management	**318**	291
Professional Fees	**58**	58
Travel and related expenses	**17**	19
General office expenses	**89**	72
Third party consulting fees	**29**	21
Total from continuing operations	**511**	461
Discontinued operation	**2**	20
Total	**513**	481

For the three months ended March 31, 2023, salaries and management expenses increased to $318,000 from $291,000 for Q1 2022 mainly due to cost-of-living adjustments implemented in Q2 2022. Professional fees remained flat at $58,000 for Q1 2023 and Q1 2022. General office expenses increased 24% to $89,000 for Q1 2023 from $72,000 for Q1 2022 mainly due to higher computer support costs and insurance premiums.

DEPRECIATION

Depreciation from continuing operations increased to $471,000 for Q1 2023 from $406,000 for Q1 2022 mainly due to capital costs incurred in Q4 2022 for the Corporation's share of the Epping 2nd well capital costs.

IMPAIRMENT

As at March 31, 2023, no indicators were identified and no impairment or related reversal was recorded on North Dakota CGUs' property, plant and equipment assets.

As at December 31, 2022, White Owl evaluated its property, plant and equipment for indicators or any potential impairment or related reversal. The Company completed an impairment test on its Clairmont property as the Company plans to abandon all of the remaining oil and gas wells in 2023. The recoverability of these assets was assessed at $nil as they are planned to be abandoned and reclaimed in the years 2023 to 2025 and are not expected to generate any future cashflows for the Company. As a result of the impairment test performed, the Company recognized an impairment expense of $1,342,949 in Q4 2022 against oil and gas properties and property, plant and equipment.

FINANCE COSTS

	Three months ended March 31,	
($000's)	**2023**	2022
Interest on long-term debt	**190**	157
Interest on promissory notes and loans payable	**-**	1
Interest on lease liabilities	**3**	1
Accretion of decommissioning obligations	**14**	7
Accretion of transaction costs	**38**	32
Interest (income) expenses, bank charges and other	**3**	1
Total from continuing operations	**248**	199
Discontinued operation	**5**	20
Total	**253**	219

For the three months ended March 31, 2023, the Company's average interest rate on the lender's long-term debt was 8.33% compared to 6.59% for Q1 2022. From March 7, 2022, to March 6, 2022, the interest on the outstanding principal balance was adjusted by the Company for one year to the US dollar fixed interest rate plus 1.50%. Effective March 7, 2023, the interest rate is calculated at the US dollar floating interest rate plus 1.50%.

FOREIGN EXCHANGE GAINS AND LOSSES

For the three months ended March 31, 2023, the Company recorded foreign exchange gains of $1,000 compared to $138,000 for Q1 2022. The foreign exchange gains and losses reflect the impact of changes in exchange rates on US dollar cash balances and short-term intercompany loans. The average exchange rate for the three months ended March 31, 2023, was 1.3518 compared to 1.2663 for the three months ended March 31, 2022.

SHARE-BASED PAYMENTS

Share-based payments relate to the amortization of the fair value of stock options issued to management, employees and directors of the Company. For the three months ended March 31, 2023, the Company recorded share-based payments of $18,000 compared to $12,000 for Q1 2022. The increase is due to the issuance of stock options in Q2 2022 to management and employees of the Company.

SUMMARY OF QUARTERLY RESULTS FROM CONTINUING OPERATIONS

($000's)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenue (2)	$4,352	$4,199	$4,098	$4,306	$3,632	$3,185	$2,474	$2,318
EBITDA (1)	1,412	1,389	1,955	2,221	1,628	953	623	688
Net income (loss) (2)	665	821	388	1,232	1,644	304	215	129
Net income (loss) from discontinued operation	(56)	(48)	(64)	(313)	(303)	(169)	(254)	147

(1) Refer to "Non-GAAP Measures" for additional information.

(2) Comparative information has been re-presented due to a discontinued operation. Please see "Alberta" on Page 6.

The decrease in net income to $609,000 for Q1 2023 from $821,000 for Q1 2022 is mainly due to higher depreciation expense and finance costs. The increase in net income from continuing operations for Q4 2022 to $821,000 from $388,000 for Q3 2022 is mainly due to a gain on the disposal of the Clairmont Terminal, impairment expenses related to the remaining Clairmont assets and unrealized foreign exchange losses for the third quarter. The decrease in net income for Q2 2022 to $1,232,000 from $1,644,000 in Q1 2022 is mainly due to the recording in Q1 2022 of a gain of $511,000 relating to the forgiveness of the second PPP loan. The increase in net income to $1,644,000 in Q1 2022 from $304,000 in Q4 2021 is mainly due to higher oil revenues resulting from increased oil volumes (up 50% quarter over quarter) and oil pricing (up 23% quarter over quarter).

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they become due. The Company manages its liquidity risk through cash and debt management combined with equity financing when available. Management's assessment of the Company's liquidity reflects estimates, assumptions and judgments relating to current market conditions. The Company funds its operations, acquisitions and capital program through a combination of cash from operating activities, equity, bank debt, loans payable and promissory notes. The Company's objective in the management of its capital resources is to secure adequate sources of capital to fund capital investments, while ensuring that sufficient operating cash flow is available to sustain and grow the operating business.

Investing Activities

	Three months ended March 31,	
($000's)	**2023**	2022
Capital expenditures	**93**	51

Capital Expenditures:

Capital expenditures totaled $93,000 for Q1 2023 compared to $51,000 for Q1 2022 and include maintenance capital at the New Town, Ross and Tioga JV SWD facilities as well as additions to spare parts inventory.

Financing Activities

Share Capital:

Shares issued and outstanding (000's)	**Common shares**	**Amount ($000)**	**Preferred shares**	**Amount ($000)**	**Total**	**Amount ($000)**
Balance December 31, 2022, and March 31, 2023	65,633	$21,118	26,469	$12,353	92,102	$33,471

As at March 31, 2023, there were 4,000,000 (December 31, 2022 – 4,000,000) common shares held in escrow.

Share Options

There were 6,849,000 share options outstanding as of March 31, 2023 (December 31, 2022 – 6,849,000), with a weighted average exercise price of $0.05 (December 31, 2022 - $0.05) per share. During the three months ended March 31, 2023, nil (Q1 2022: nil) share options were granted to employees, management and directors of the Company, nil share options were forfeited and nil share options expired.

Long-Term Debt and Operating Loan

Long-Term Debt:

On October 14, 2021, the Company entered into an agreement with a new senior lender ("loan agreement") for a US$7,700,000 loan to facilitate the repayment of the term loan due on or before December 31, 2021 to its previous lender and for working capital growth. In December 2021, the Company received the full amount of $9,868,320 (US$7,700,000) to repay the term loan. The new long-term debt matures September 1, 2028 and bears interest on the outstanding principal balance, payable monthly, at the US dollar floating base rate plus 1.50%. Effective March 7, 2022, the interest on the outstanding principal balance was adjusted by the Company for one year to the US dollar fixed interest rate plus 1.50%. A one-time principal payment of US$107,260 was due October 1, 2022, with subsequent monthly principal payments of US$106,940 due until maturity. Commencing April 2023, additional annual principal payments will be required for 50% of excess cash flow ("ECF") realized by White Owl to a maximum of US$500,000. The annual ECF limit is calculated as EBITDA less US$350,000 of maintenance capital expenditures and principal and interest payments on long-term debt and operating loan. The annual ECF principal payment is only due up to the amount that would not cause the Company to be in default with the debt covenants and financial requirements of the Company's lenders. Based on the financial results for the year ended December 31, 2022, an additional annual principal payment equal to the maximum of US$500,000 is payable by the Company on April 1, 2023 and is included in the current portion of long-term debt as at March 31, 2023. In addition, commencing December 31, 2022, the Company is required to maintain at all times a fixed charge coverage ratio equal to or greater than 1.25:1.00. The Company incurred $550,916 in transaction costs related to the issuance which will be amortized over the term of the loan using the effective interest method.

As at March 31, 2023 and December 31, 2022, the financial covenant related to the loan agreement is as follows:

Covenant description	**Position at March 31, 2023**	Position at December 31, 2022
Fixed charge coverage ratio	**1.58**	1.56

As at March 31, 2023, the Company was compliant with all covenants provided for in the loan agreement.

Operating Loan:

On October 18, 2021, the Company entered into a US$1,000,000 demand operating loan ("operating loan") agreement with an additional lender which replaced the Company's previous operating facility. The operating loan is a revolving demand facility bearing interest, payable monthly, at the US prime rate plus 2.25%. The total outstanding on the operating loan will not at anytime exceed the lesser of the margin requirements as defined in the loan agreement and US$1,000,000. As at March 31, 2023, the Company's borrowing limit under the operating loan was US$1,000,000 (December 31, 2022 - US$1,000,000). The Company had drawn $nil on the operating loan at March 31, 2023 (December 31, 2022 – $nil).

The following are the financial covenants governing the operating loan, all capitalized terms are defined in the operating loan agreement:

- Fiscal year Cash Flow Coverage Ratio of not less than 1.25:1:00;
- Annual Debt to Tangible Net Worth Ratio not greater than 3.00:1.00; and
- Annual Current Ratio not less than 1.25x.

Covenant description	Position at December 31, 2022
Cash Flow Coverage Ratio	7.09
Debt to Tangible Net Worth Ratio	1.39
Current Ratio	1.26

As at March 31, 2023, the Company was compliant with all covenants provided for in the operating loan agreement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Oversight of our ESG program starts with White Owl's Board and leadership and is embodied throughout the organization. At White Owl the health, safety and protection of employees, contractors and the environment are a top priority that is approached without compromise. We seek to foster an environment that promotes continuous improvement in both processes and day-to-day behaviors.

White Owl's operations and facilities are subject to rigorous environmental regulations and health and safety laws. In the field our people are focussed on reducing and eventually eliminating emissions and spills at our operating locations. Emissions are primarily volatile organics which can escape from our vapour collection system. Spills relate primarily to poor operating practices and emanate from two sources: spills from third party trucks on location and the overflow of tanks. Fresh water use is also a focus, and we work to reduce the amount of fresh water used at our operating locations. Most of the fresh water used is returned to the environment though septic fields or sewers. Health and safety is a critical area and we strive for a zero annual reportable accident environment.

Maintaining the trust and ongoing support of local communities where we operate is paramount to the success and viability of our business. We are committed to being a welcome and valued member of the communities in which we operate. Since commencing operations in North Dakota in 2014, we have experienced no community disputes or resulting operational delays.

As our business operates in a heavily regulated environment and as external forces encourage us to consider ESG in all of our decisions, a sub-committee of the board of directors oversees our approach to these matters and directs our approach to identify ESG focus areas that could materially impact value and risk management.

OUTLOOK

US Bakken Activity

North Dakota is the third largest oil producing state in the country behind New Mexico and Texas with Bakken oil production now at 1.2 million barrels per day and gas production at 3 BCF per day. Despite Bakken oil receiving a premium to WTI pricing, worries about oil demand trends stemming from an uncertain outlook for the U.S. economy and recovery in China appear to be the main reasons for oil's recent price weakness. With most of our customers following a global trend of constraining drilling activity, despite holding over 10 years of Tier 1 drilling inventory, the long-term supply fundamentals seem to indicate higher-for-longer oil prices going forward.

Even with this optimistic view on commodity prices, it is unlikely that the rig count currently at 45 rigs in the Bakken, will inch higher any time soon. The combination of inflationary concerns, financial sector stress, recessionary pressures, producer discipline and labour shortages in the oil patch point to a “steady as she goes” strategy.

Corporate Review

With the anticipation that commodity prices will remain range bound, and our Bakken customers will remain disciplined in their drilling and completion activity, we see the remainder of 2023 looking a lot like 2022 with somewhat more commodity price volatility. The Company anticipates that producers will maintain their drilling programs to maintain or grow production in consideration of well productivity declines and low drilled but uncompleted ("DUC") well inventory.

The Company remains committed to disciplined capital allocation and debt retirement and has scheduled US$1.8 million in debt reduction for the 2023 year. In addition, from the period beginning 2023 to the end of 2025, the Company has scheduled debt reduction of approximately US$4.3 million. If industry conditions or board policy changes, this amount could be increased.

With the balance sheet improving, we continue to pursue small incremental growth projects that meet our board’s investment return guidelines with the combined goals of gradually increasing EBITDA and reducing long term debt. Each dollar of debt that is paid off, increases shareholder equity, so longer term we would like to see our debt approaching zero.

The board has also been looking at the alternatives available to it to simplify the capital structure and these discussions are ongoing.

NON-GAAP MEASURES

The MDFR refers to terms commonly used in the industry including operating income (loss) and EBITDA. Such terms do not have a standard meaning as prescribed by IFRS and therefore may not be comparable with the determination of similar measures of other entities. These measures are identified as non-GAAP measures and are used by Management to analyze operating performance and leverage. Operating income (loss) and EBITDA should not be considered as an alternative to, or more meaningful than, net income (loss) as determined in accordance with IFRS.

FORWARD-LOOKING INFORMATION

This discussion contains forward-looking information, which is disclosure regarding possible events, conditions or financial performance that is based on assumptions about future courses of action and economic conditions. Such forward-looking information may be identified by words such as "anticipate", "will", "intend", "could", "should", "may", "might", "expect", "forecast", "plan", "potential", "project", "assume", "contemplate", "believe", "budget", "shall", "continue", "milestone", "target", "vision", and similar terms or the negative thereof or other comparable terminology.

The forward-looking information in this discussion is subject to significant risks and uncertainties and is based on a number of material factors and assumptions which may prove to be incorrect, including, but not limited to, the following: corporate strategy; general market conditions; the oil and natural gas industry; activity levels in the oil and gas sector, including market fundamentals, drilling levels, commodity prices for oil and natural gas; demand for the Company's services; operational performance; expansion strategy; debt service; capital expenditures; completion of facilities; the impact of new facilities on the Company's financial and operational performance; future capital needs; and access to capital through equity market and debt markets.

The forward-looking information relies on material assumptions and known and unknown risks and uncertainties, certainty of which are beyond the Company's control. Such risks and uncertainties include, without limitation, the impact of general economic conditions in the United States, Canada and globally; industry conditions; the Company's ability to increase its market share; volatility of commodity prices; delays resulting from an inability to obtain regulatory approvals; an inability to access sufficient capital from internal and external sources; changes in laws and regulations and changes in how they are interpreted and enforced; environmental risks; increased competition; and the lack of qualified personnel or management. Readers are cautioned that the foregoing list of factors and risks are not exhaustive. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the Forward-Looking Statements will transpire or occur. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described, there may be other factors and risks that cause actions, events or results not anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on the forward-looking information, as such information may not be appropriate for other purposes.

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