



MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS

For the three and six months ended June 30, 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 and six months ended June 30, 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 August 9, 2023, and should be read in conjunction with White Owl's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 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.

SECOND QUARTER AND YEAR TO DATE JUNE 30, 2023, HIGHLIGHTS

Highlights for the three and six months ended June 30, 2023, are summarized as follows:

- Bank term debt reduction is a focus for White Owl in the current high interest rate environment. As a result, the Corporation drew on its strong cash position at June 30, 2023 to make term debt principal payments totaling US\$1,488,982 in July 2023. Since December 31, 2022, the Corporation has reduced its bank term loan by 37%, or US\$2,630,622, resulting in an outstanding balance of US\$4,498,238 at July 31, 2023.
- Q2 2023 EBITDA from continuing operations is \$1,651,000, up 17% from \$1,412,000 in Q1 2023, but down from \$2,221,000 earned in Q2 2022 when the realized net oil price averaged US\$98.07 per barrel versus US\$65.26 per barrel in Q2 2023. For the six months ended June 30, 2023, EBITDA from continuing operations totaled \$3,064,000 compared to \$3,848,000 for the comparable 2022 six-month period when the net realized oil price was 34% higher than the average for the current period.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

- Fluid disposal revenues at White Owl’s Saltwater Disposal (“SWD”) facilities increased 49% to \$5,587,000 for the six months ended June 30, 2023, from \$3,744,000 for the comparable 2022 six-month period. The increase is a result of disposal volumes increasing 38% to average 39,545 barrels per day (“bpd”) from 28,757 bpd for the comparable period, due to sustained drilling and completion activity across North Dakota during the past year. Q2 2023 fluid disposal revenues increased 40% to \$3,019,000 from \$2,155,000 for Q2 2022 as a result of disposal volumes increasing 33% to 39,585 bpd from 29,786 bpd.
- Recovered oil volumes increased 13% and 7% for the three and six months ended June 30, 2023, respectively, compared to the 2022 comparable three- and six-month periods, while oil revenues decreased 19% and 17% to \$1,681,000 and \$3,377,000, respectively, over the same periods, due to significantly lower oil pricing.
- The average realized net oil price (“netback price”) received for White Owl’s recovered oil volumes decreased 33% for Q2 2023 to US\$65.26 per barrel from US\$98.07 per barrel for Q2 2022, while the netback price decreased 26% to US\$67.31 per barrel for the six months ended June 30, 2023, from US\$90.42 per barrel for the comparable 2022 six-month period. A positive North Dakota differential of US\$0.67 per barrel for Q2 2023 over the West Texas Intermediate price (“Positive Differential”) benefited the netback price for the quarter. For Q2 2022, the Positive Differential was US\$2.77 per barrel.
- On May 24, 2023, the Company disposed of its wholly owned subsidiary, White Owl Energy Services Ltd., for nominal consideration. The disposition comprised the shut-in oil and gas wells at Clairmont in Alberta, Canada and included cash and cash equivalents, deposits, accounts receivable, oil and gas property, plant and equipment and the assumption by the purchaser of accounts payable, promissory notes, surface lease liabilities and all decommissioning liabilities associated with the Clairmont oil and gas assets. As a result of this transaction, the Company recognized a gain on disposition of subsidiary of \$566,000 in comprehensive income for the three and six months ended June 30, 2023.
- Following commissioning of the second Epping SWD disposal well and connecting pipeline in Q4 2022, fluid volumes continued to improve at this site with gross fluid disposal volumes of 9,850 bpd in Q2 2023, a 32% increase over 7,487 bpd recorded in Q1 2023 and 85% over 5,315 bpd recorded in Q2 2022.
- Q2 2023 Alexander disposal volumes have improved dramatically to 56,829 barrels for the quarter compared to 1,000 barrels for Q1 2023 when winter conditions impacted disposal operations. The current quarter’s disposal volumes are almost triple the 19,560 barrels recorded in Q2 2022.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(\$000's, unless otherwise noted)	Three months ended			Six months ended		
	2023	June 30, 2022 ⁽²⁾	%	2023	June 30, 2022 ⁽²⁾	%
Continuing operations						
North Dakota operations						
Disposal volumes (Bbls)	3,602,195	2,710,500	33%	7,157,587	5,205,101	38%
Recovered oil sales volumes (Bbls)	18,625	16,483	13%	37,714	35,178	7%
Disposal revenue (\$ per Bbl)	\$0.84	\$0.79	6%	\$0.78	\$0.72	8%
Oil sales revenue (\$ per Bbl)	\$90.26	\$125.87	-28%	\$89.54	\$115.05	-22%
Operating costs and royalties (\$ per Bbl)	\$0.72	\$0.58	24%	\$0.70	\$0.60	17%
North Dakota disposal and services revenue						
Disposal revenue	\$3,019	\$2,155	40%	\$5,587	\$3,744	49%
Oil sales revenue	1,681	2,075	-19%	3,377	4,047	-17%
Other revenue	102	76	34%	191	146	31%
Total revenue – North Dakota continuing operations						
	4,802	4,306	12%	9,155	7,937	15%
Operating costs	(2,585)	(1,570)	65%	(5,014)	(3,114)	61%
Operating income⁽¹⁾ – North Dakota continuing operations						
	\$2,217	\$2,736	-19%	\$4,141	\$4,823	-14%
General and administrative expenses (“G&A”)	(566)	(515)	10%	(1,077)	(975)	10%
EBITDA⁽¹⁾ continuing operations						
	\$1,651	\$2,221	-26%	\$3,064	\$3,848	-20%
Other income and expenses						
Depreciation	(478)	(409)	17%	(949)	(815)	16%
Amortization	(16)	(15)	7%	(32)	(30)	7%
Finance costs	(292)	(201)	45%	(540)	(400)	35%
Gain on disposal of property, plant and equipment	-	-	-	9	-	100%
Share-based payments	(15)	(16)	-6%	(32)	(28)	14%
Foreign exchange gain (losses)	335	(347)	197%	335	(209)	260%
Gain on loan payable forgiveness	-	-	-	-	511	-100%
Income tax expense	(1)	(1)	0%	(5)	(2)	150%
Net income from continuing operations						
	\$1,184	\$1,232	-4%	\$1,850	\$2,875	-36%
Net income (loss) from discontinued operation						
	558	(313)	278%	502	(616)	181%
Net income						
	\$1,742	\$919	90%	\$2,352	2,259	4%

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

(2) Comparative information has been re-presented due to a discontinued operation.

Q2 2023 EBITDA from continuing operations is \$1,651,000, up 17% from \$1,412,000 in Q1 2023, but down from \$2,221,000 earned in Q2 2022 when the realized net oil price averaged US \$98.07 per barrel versus US \$65.26 per barrel in Q2 2023. With the disposition of the Corporation’s Clairmont assets in October 2022 and May 2023, the Corporation no longer conducts operations in Alberta. As a result, the comparative financial information in the table above has been re-presented to show the discontinued Alberta operations separately from the continuing North Dakota operations.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

North Dakota – Continuing Operations

Operating Income:

Q2 2023 operating income decreased 19% to \$2,217,000 from \$2,736,000 for Q2 2022 as higher fluid disposal revenues (up 40%) were offset by lower recovered oil revenues (down 19%) and higher operating costs (up 65%). As discussed below under “*Operating Costs*”, the increase in operating costs is mainly attributable to the processing of higher disposal volumes and increased input costs, especially repairs and maintenance expenses.

Volumes:

For the three and six months ended June 30, 2023, fluid disposal volumes increased 33% and 38% to 39,585 bpd and 39,545 bpd, respectively, from 29,786 bpd and 28,757 bpd, respectively, for the 2022 comparable three and six-month periods, mainly due to increased drilling and completion activity around the Corporation’s Ross, New Town, Tioga and Epping SWD facilities. 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.

The increased activity has resulted in increased flowback and early production water volumes at most locations. For the three and six months ended June 30, 2023, flowback volumes which are rich in oil content, increased 42% and 63% to 4,256 bpd and 3,610 bpd, respectively, from 3,001 bpd and 2,219 bpd, respectively, for the 2022 comparable three and six-month periods. In particular, the Ross and Tioga SWD facilities accounted for 85% of total flowback volumes for the six months ended June 30, 2023, compared to 73% in the comparable 2022 six-month period. Flowback water commands a higher disposal fee than production water and is currently 9% of fluid disposal volumes, up from 7% in the six months ended June 30, 2022.

Non-hazardous industrial water volumes disposed by the Alexander facility are included in total fluid disposal volumes mentioned above and increased three-fold to 57,829 barrels for the six months ended June 30, 2023, from 19,905 barrels for the 2022 comparable six-month period. The bulk of this volume was received during the second quarter as volumes were minimal in the first quarter due to winter temperatures which prevent transportation of this class of water. The increase in volumes is mainly due to heavy snowfall filling the region’s leachate ponds late in 2022 and in the first quarter of 2023.

Recovered oil volumes increased 13% to 18,625 barrels for Q2 2023 from 16,483 barrels for Q2 2022, with the Ross and New Town SWD facilities accounting for 67% of total Q2 2023 oil volumes versus 68% for Q2 2022. For the six months ended June 30, 2023, recovered oil volumes increased 7% to 37,714 barrels from 35,178 barrels for the 2022 comparable six-month period. The Ross and New Town SWD facilities accounted for 64% of oil volumes for the six months ended June 30, 2023, versus 68% for the comparable 2022 six-month

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

period. In 2023, recovered oil volumes averaged 6,286 barrels per month, up from 5,863 barrels per month for the first six months of 2022.

Revenue and Pricing:

For the six months ended June 30, 2023, total revenues increased 15% to \$9,155,000 from \$7,937,000 for the comparable 2022 six-month period. The 49% increase in disposal revenues to \$5,587,000 more than offset a 17% decrease in recovered oil revenues due to lower oil pricing. Q2 2023 total revenues increased 12% to \$4,802,000 from \$4,306,000 for Q2 2022 mainly due to the 40% increase in fluid disposal revenues to \$3,019,000 from \$2,155,000. The increased fluid disposal revenues for Q2 2023 more than offset the 19% decrease in recovered oil revenues to \$1,681,000 from \$2,075,000 for Q2 2022 resulting from lower oil pricing.

Oil sales continue to be a material component of revenues and accounted for 37% of total revenues for the six months ended June 30, 2023, down from 51% for the six months ended June 30, 2022, when the realized net oil price was 34% higher. The average West Texas Intermediate price (“WTI”) decreased 26% to US\$74.95 per barrel for the six months ended June 30, 2023, from US\$101.33 per barrel for the comparable 2022 six-month period. Similarly, the Corporation’s netback oil price averaged US\$67.31 per barrel for the current six-month period versus US\$90.42 per barrel for the 2022 comparative period. 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\$0.93 per barrel for the six months ended June 30, 2023, versus US\$1.69 per barrel for the 2022 comparable six-month period).

Fluid disposal revenues also include flowback revenues which increased 32% to \$924,000 for the six months ended June 30, 2023, from \$702,000 for the comparable 2022 six-month period, as flowback volumes increased 62%, while flowback pricing decreased 25% between the two periods. Flowback volumes in the first six months of 2022 included the disposal of surface snow melt water which commands higher pricing.

Other revenue which includes interest earned on cash deposits and recoveries from joint venture operations increased to \$102,000 and \$191,000 for the three and six months ended June 30, 2023, respectively, from \$76,000 and \$146,000 for the three and six months ended June 30, 2022, respectively. The increase is mainly due to interest earned on cash deposits increasing by \$44,000 for the six months ended June 30, 2023, over the comparable 2022 six-month period, as well as higher overhead recovery fees from Epping joint venture operations. With the commissioning of the Epping second well in Q4 2022, operating costs increased and resulted in higher overhead recovery fees (computed as a percentage of operating costs).

Operating Costs:

For the three and six months ended June 30, 2023, operating costs and royalties from continuing operations increased 24% and 17% to \$0.72 per barrel and \$0.70 per barrel, respectively from \$0.58 per barrel for Q2

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

2022 and \$0.60 per barrel for the six months ended June 30, 2022. Labour costs increased as the Company's SWD facilities returned to full staffing levels in response to the increased disposal volumes. 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 operating cost per barrel for 2023 also increased due to higher repairs and maintenance, including the sandblasting and coating of tanks and replacement of wellhead flanges and valves, a regulatory required (once in five years) well pressure test at Alexander and higher solid waste disposal costs at all facilities. Management has not been able to offset these increased operating costs with higher disposal fees due to competitive pressures at most locations.

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

Alberta – Discontinued Operation

On May 24, 2023, the Company disposed of its wholly owned subsidiary, White Owl Energy Services Ltd., for nominal consideration. The disposition comprised the shut-in oil and gas wells at Clairmont and included cash and cash equivalents, deposits, accounts receivable, oil and gas property, plant and equipment and the assumption by the purchaser of accounts payable, promissory notes, surface lease liabilities and all decommissioning liabilities associated with the Clairmont oil and gas assets. For additional information, please see **Canada** on Page 16.

On October 14, 2022, the Company disposed of the Clairmont Terminal assets and associated liabilities for \$1,400,000 (\$1,250,000 net of costs). The disposition consisted of Clairmont Terminal property, plant and equipment, four associated wells and associated decommissioning liabilities and surface lease liabilities.

Remainder of page intentionally left blank

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

REVENUE AND OPERATING INCOME (LOSS) BY FACILITY

(\$000's)	Three months ended June 30,			Six months ended June 30,		
	2023	2022 ⁽²⁾	%	2023	2022 ⁽²⁾	%
Oilfield waste disposal and oil sales						
New Town	1,238	1,318	-6%	2,597	2,912	-11%
Watford City	730	769	-5%	1,710	1,414	21%
Ross	1,600	1,262	27%	2,986	1,896	57%
Alexander	392	141	178%	401	143	180%
Tioga JV	463	618	-25%	771	1,160	-34%
Epping JV	277	122	127%	499	266	88%
	4,700	4,230	11%	8,964	7,791	15%
Other revenue	102	76	34%	191	146	31%
Revenue from continuing operations	4,802	4,306	12%	9,155	7,937	15%
Revenue discontinued operation	-	319	-100%	-	492	-100%
Total revenue	4,802	4,625	4%	9,155	8,429	9%
Operating income (loss) from continuing operations						
New Town	512	715	-28%	1,150	1,674	-31%
Watford City	225	417	-46%	715	724	-1%
Ross	858	935	-8%	1,524	1,332	14%
Alexander	206	4	5050%	129	(58)	322%
Tioga JV	236	414	-43%	304	777	-61%
Epping JV	78	40	95%	128	93	38%
Employee Retention Credit	-	135	-100%	-	135	-100%
	2,115	2,659	-20%	3,950	4,677	-16%
Other revenue	102	76	34%	191	146	31%
Operating income ⁽¹⁾ from continuing operations	2,217	2,735	-19%	4,141	4,823	-14%
Operating loss ⁽¹⁾ discontinued operation	(2)	(158)	-99%	(30)	(410)	-93%
Total operating income ⁽¹⁾	2,215	2,577	-14%	4,111	4,413	-7%

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

(2) Comparative information has been re-presented due to a discontinued operation.

New Town SWD Facility

Environmental and Safety:

There were no spills, environmental incidents, or safety incidents in the three and six months ended June 30, 2023.

Operating Income:

Although fluid disposal volumes increased 19%, operating income decreased 28% to \$512,000 for Q2 2023 from \$715,000 for Q2 2022 mainly due to the impact of significantly lower oil prices. Similarly, even though fluid disposal volumes increased 17%, operating income for the six months ended June 30, 2023 decreased

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

31% to \$1,150,000 from \$1,674,000 due to lower oil recovered volumes (down 22%) and lower oil pricing (down 24%). Please see “*Revenues and Pricing*” below.

Volumes:

Q2 2023 fluid disposal volumes for the New Town SWD facility increased 19% to 13,260 bpd from 11,112 bpd for Q2 2022, while for the six months ended June 30, 2023, disposal volumes increased 17% to 13,252 bpd from 11,330 bpd for the comparable 2022 six-month period. The increase in fluid disposal volumes is due to increased drilling and completion activity by area producers.

Flowback volumes are low at this facility due to competitive pressures. For the three and six months ended June 30, 2023, flowback volumes averaged 104 bpd and 165 bpd, down from 327 bpd and 257 bpd for the 2022 comparable three- and six-month periods.

Recovered oil volumes for Q2 2023 remained relatively flat at 5,199 barrels compared to 5,303 barrels for Q2 2022. For the six months ended June 30, 2023, recovered oil volumes decreased 22% to 11,424 barrels from 14,568 barrels for the comparable 2022 six-month period. The decrease is due to measures introduced by certain area producers in late 2022 to reduce the oil content of the water being trucked to the site.

Revenues and Pricing:

Total revenues decreased 6% to \$1,238,000 for Q2 2023 from \$1,318,000 for Q2 2022 mainly due to lower recovered oil revenues. While fluid disposal revenues increased 20% to \$788,000 for Q2 2023 from \$659,000 for Q2 2022, oil revenues decreased 32% to \$450,000 for the current quarter from \$660,000 for the prior year comparable quarter due to significantly lower oil pricing. For the three months ended June 30, 2023, the netback price for this site decreased to US\$64.36 per barrel from US\$97.29 per barrel for Q2 2022.

Similarly, for the six months ended June 30, 2023, a 23% increase in fluid disposal revenues to \$1,576,000 from \$1,284,000 for the comparable six-month period in 2022 was more than offset by a 37% decrease in recovered oil revenues to \$1,021,000 from \$1,628,000 over the same periods, due to lower oil pricing and volumes (please see *Volumes* above).

Operating Costs and Royalties:

Operating costs remained unchanged at \$0.60 per barrel of fluid disposed for the three and six months ended June 30, 2023, compared to the comparable 2022 periods. Q2 2023 operating costs increased 20% to \$726,000 from \$603,000 for Q2 2022, matching the increase in fluid disposal volumes. For the six months ended June 30, 2023, operating costs increased 17% to \$1,447,000 from \$1,238,000 for the comparable 2022 six-month period, again matching the increase in disposal volumes.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

Management plans a significant upgrade project at New Town in 2023 to remove an injection skid, clean up the underlying contaminated soil and upgrade the plant electrical system. This project is scheduled for the second half of 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 and six months ended June 30, 2023.

Capital Project:

Maintenance capital projects approved for the second half 2023 include upgrading the stormwater ponds, upgrading the electrical system (see above), and installing a new electrical house that will hold the Programmable Logic Controller (PLC) and the Motor Control Center (MCC). The project to install an 800-hp horizontal pump to replace the existing 600-hp rental pump and increase plant disposal capacity has been deferred to 2024.

Watford City SWD Facility

Environmental and Safety:

There were no spills, environmental or safety incidents for the three and six months ended June 30, 2023.

Operating Income:

For the six months ended June 30, 2023, operating income remained flat at \$715,000 compared to \$724,000 for the comparable 2022 six-month period. Q2 2023 operating income decreased 46% to \$225,000 from \$417,000 for Q2 2022 due to lower total revenues and increased repairs and maintenance expenses (please see *Operating Costs and Royalties* below).

Volumes:

Increased well completion activity in the Watford City area led to fluid disposal volumes increasing 20% to 8,158 bpd for the six months ended 2023 from 6,779 bpd for the six months ended June 30, 2022. Q2 2023 fluid disposal volumes increased 3% to 7,073 bpd for Q2 2023 from 6,873 bpd for Q2 2022. Volumes increased despite one of the two injection pumps failing in June, temporarily impacting disposal volumes; both injection pumps are expected to be operational in Q3 2023.

With the higher disposal volumes, recovered oil volumes increased 39% for the six months ended June 30, 2023, to 7,554 barrels from 5,451 barrels for the comparable 2022 six-month period, while Q2 2023 recovered oil volumes increased 15% to 3,249 barrels from 2,815 barrels for Q2 2022.

Revenues and Pricing:

For the six months ended June 30, 2023, total revenues increased 21% to \$1,710,000 to \$1,414,000 for the comparable 2022 period, matching the 20% increase in fluid disposal volumes. The increase in total revenues for the current six-month period is mainly due to production water revenues increasing to \$1,034,000 from

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

\$781,000 for the 2022 comparable six-month period. The increase is a result of higher fluid disposal volumes and improved pricing for trucked-in water at this facility. Recovered oil revenues for the current six-month period increased 7% to \$676,000 from \$633,000 for the comparable 2022 six-month period as the financial impact of the 39% increase in recovered oil volumes offset the lower oil pricing.

Q2 2023 total revenues remained relatively flat at \$730,000 for Q2 2023 versus \$769,000 for Q2 2022, with production water revenues increasing by \$81,000 due to both higher volumes and improved pricing, while Q2 2023 recovered oil revenues decreased by \$67,000 as the 15% increase in oil volumes was more than offset by lower oil pricing.

Operating Costs and Royalties:

Q2 2023 operating costs increased 43% to \$505,000 (\$0.79 per barrel) from \$352,000 (\$0.56 per barrel) for Q2 2022. Repairs and maintenance expenses increased by \$126,000 between the two quarters mainly due to higher solids disposal expenses and repairs to the injection pump and its electrical drive. For the six months ended June 30, 2023, operating costs increased 43% to \$995,000 from \$695,000 for the comparable 2022 six-month period. The increase is mainly due to repairs and maintenance expenses increasing by \$205,000 between the two periods due to the injection pump repairs and solids disposal expenses.

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 for the three and six months ended June 30, 2023.

Operating Income:

For the six months ended June 30, 2023, operating income increased 14% to \$1,524,000 from \$1,332,000 for the six months ended June 30, 2022, due to higher water disposal revenues which more than offset increased operating costs. Q2 2023 operating income decreased 8% to \$858,000 from \$935,000 as higher water disposal revenues were more than offset by lower oil revenues and increased operating costs. Please see *Operating Costs and Royalties* below.

Volumes:

For the six months ended June 30, 2023, fluid disposal volumes more than doubled to 12,399 bpd from 4,990 bpd for the comparable 2022 six-month period. The increase in disposal volumes is due to increased well completion activity by area producers. As a result, oil-rich flowback volumes increased 174% to 2,407 bpd

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

from 879 bpd over the same periods. Flowback volumes are expected to remain strong during 2023 due to continuing drilling and completion activity by area producers. To handle the significantly increased disposal volumes, a second rental pump was installed in May 2023.

The increased fluid disposal volumes led to recovered oil volumes increasing 34% to 12,866 barrels for the current six-month period from 9,630 barrels for the comparable 2022 period.

Similarly, the increased activity led to Q2 2023 fluid disposal volumes doubling to 12,410 bpd from 6,228 bpd for Q2 2022, including flowback volumes which increased 84% to 2,957 barrels for Q2 2023 from 1,605 bpd for Q2 2022. Recovered oil volumes increased 25% to 7,221 barrels for Q2 2023 from 5,780 barrels for Q2 2022.

Revenues and Pricing:

For the six months ended June 30, 2023, total revenues for the Ross SWD facility increased 57% to \$2,986,000 for the current six-month period from \$1,896,000 for the comparable 2022 six-month period. Fluid disposal revenues increased 143% to \$1,834,000 for the current six-month period from \$756,000 for the same period in 2022. Recovered oil revenues remained relatively flat at \$1,152,000 compared to \$1,140,000 for the comparable six-month period. The increase in revenues is due to higher fluid disposal volumes (up 148%) and oil volumes (up 34%), partially offset by lower flowback pricing and a lower netback oil price (down 28%).

Q2 2023 total revenues increased 27% to \$1,600,000 from \$1,262,000 for Q2 2022. Fluid disposal revenues increased 79% to \$962,000 from \$536,000 between the two three-month periods, while recovered oil revenues decreased 12% to \$638,000 for Q2 2023 from \$726,000 for Q2 2022. The increased oil volumes were more than offset by lower oil pricing, with the netback price for recovered oil sales at this site declining 33% to US\$65.79 per barrel for Q2 2023 from US\$98.23 per barrel for Q2 2022.

Operating Costs and Royalties:

For the six months ended June 30, 2023, operating costs and royalties more than doubled to \$1,462,000 (\$0.65 per barrel) from \$564,000 (\$0.62 per barrel) for the comparable 2022 period when the facility was unmanned due to low volumes. In 2023, the economies of scale from the significantly increased volumes (up 148%) were offset by higher repairs and maintenance expenses and manpower costs, as the site now has operators onsite 24 hours per day compared to unmanned operations a year ago. Repairs and maintenance expenses for the current six-month period include the installation of a de-sand tank as well as piping upgrades.

Similarly, Q2 2023 operating costs increased 127% to \$742,000 from \$327,000 for Q2 2022 due to the significant increase in disposal volumes (up 99%) and higher repairs and maintenance expenses and manpower costs.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

Capital Projects:

In Q2 2023, a second rental injection pump was installed to increase the injection capacity of the facility in response to significantly increased disposal volumes. With commissioning of this second injection pump in May 2023, fluid disposal volumes have increased to over 16,000 bpd in June and into Q3 2023, up from Q2 2023's average of 12,410 bpd. The de-sand tank upgrade and bypass piping capital projects were completed in July 2023. Other capital projects planned for the second half of 2023 include installing a rural water connection and electrical upgrades.

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 three and six months ended June 30, 2023.

Volumes:

Alexander volumes for Q2 2023 almost tripled to 56,829 barrels from 19,560 barrels for Q2 2022. Heavy snowfall late in 2022 and in Q1 2023 has filled the region's leachate ponds, which has led to the significantly improved volumes for this facility. Disposal volumes in April and May 2023 totaled 22,000 and 20,000 barrels, respectively, but declined to 14,055 barrels in June due to well injection limitations. In June, a chemical program was completed to address the well injection issues, with only a minimal improvement in injection capability. Going forward, the estimated capacity of the Alexander well is 12,000-15,000 barrels per month which exceeds the break-even volume level of 4,000 to 5,000 barrels per month. Alexander volumes for Q1

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

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.

Operating Income:

Q2 2023 operating income totalled \$206,000, a significant improvement from the operating loss of \$77,000 for Q1 2023 and compared to \$4,000 for Q2 2022 when volumes were lower. As a result, Alexander recorded operating income of \$129,000 for the six months ended June 30, 2023, compared to an operating loss of \$58,000 for the 2022 comparable six-month period. Because the Alexander facility is the only non-hazardous waste site in North Dakota, we have been able to increase pricing in Q2 2023.

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 issues during the three and six months ended June 30, 2023.

Operating Income:

Operating income decreased to \$236,000 for Q2 2023 from \$414,000 for Q2 2022. The decrease is mainly due to lower fluid disposal volumes (down 24%) and lower oil pricing (down 34%), while recovered oil volumes increased 14% between the two quarters. For the six months ended June 30, 2023, operating income decreased 61% to \$304,000 from \$777,000 for the 2022 comparable six-month period. The decrease is again mainly due to lower disposal and recovered oil volumes (down 35% and 10%, respectively) and higher operating costs (up 22%). Please see *Operating Costs and Royalties* below.

Volumes:

Recovered oil volumes increased 14% to 6,291 barrels for Q2 2023 from 5,501 barrels for Q2 2022. The increase is due to a 30% increase in oil-rich flowback volumes to 1,818 bpd from 1,394 bpd for Q2 2022 and the absence of pipeline volumes for the current quarter. With no pipeline volumes Q2 2023, total fluid disposal volumes decreased 24% to 5,890 bpd from 7,723 bpd for Q2 2022.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

For the six months ended June 30, 2023, fluid disposal volumes decreased 35% to 5,063 bpd from 7,780 bpd for the comparable 2022 six-month period, due to the absence of pipeline volumes and a 25% decrease in production water volumes. The decrease in disposal volumes is partially due to the change of operatorship on local wells with a significant customer entering into an operating agreement with its joint venture partner. The partner operates its own disposal wells. Several producers are actively permitting and drilling wells in the area and there is the potential for higher volumes in the second half of the year.

Recovered oil volumes decreased 10% to 10,116 for the six months ended June 30, 2023, from 11,206 barrels for the 2022 comparable six-month period due to the lower disposal volumes.

Revenues and Pricing:

Q2 2023 total revenues for this facility decreased 25% to \$463,000 for Q2 2023 from \$618,000 for Q2 2022, matching the lower fluid disposal volumes (down 24%). Pricing for production water decreased 8% between the two quarters due to competitive pressures. Although oil volumes increased 14%, Q2 2023 oil revenues decreased 21% to \$261,000 from \$329,000 for Q2 2022 due to the realized netback oil price decreasing 34% to US\$65.63 per barrel from US\$99.67 per barrel.

For the six months ended June 30, 2023, the 35% decrease in fluid disposal volumes and 10% decrease in recovered oil volumes resulted in total revenues declining 34% to \$771,000 from \$1,160,000 for the 2022 comparable six-month period. In particular, recovered oil revenues decreased 31% to \$425,000 for the six months ended June 30, 2023, from \$620,000 for the comparable six-month period in 2022.

Operating Costs and Royalties:

Operating costs and royalties averaged \$0.90 per barrel for Q2 2023 compared to \$0.62 per barrel for Q2 2022. The increase in the operating cost per barrel is due to higher solids disposal costs and general repairs and maintenance which together accounted for \$0.14 per barrel of the increase. The balance of the increase in operating cost per barrel is due to inflationary pressures and fixed operating costs spread across lower disposal volumes.

For the six months ended June 30, 2023, operating costs and royalties averaged \$1.08 per barrel compared to \$0.58 per barrel for the comparable 2022 six-month period. Higher solids disposal costs and general repairs and maintenance expenses accounted for \$0.18 per barrel of the increase in operating costs per barrel, while the spreading of the fixed operating across 35% lower fluid disposal volumes accounted for most of the remaining increase. Operating costs for the six months ended include \$75,400 for solid waste disposal costs versus \$21,600 for the comparable 2022 six-month period.

Capital Projects:

Minimal capital projects are planned for the facility in 2023 although a pump upgrade is planned for 2024.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 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. The total cost of the clean up was \$19,000.

Operating Income:

Operating income almost doubled to \$78,000 for Q2 2023 from \$40,000 for Q2 2022 and increased 38% to \$128,000 for the six months ended June 30, 2023, from \$93,000 for the comparable 2022 six-month period. Increased disposal volumes following commissioning of the second well in November 2022 led to the increased operating income in 2023.

Volumes:

With the second injection well and connecting pipeline fully commissioned, disposal volumes increased 85% to 9,850 bpd for Q2 2023 from 5,315 bpd for Q2 2022 and increased 49% to 8,676 bpd for the six months ended June 30, 2023, from 5,818 bpd for the 2022 comparable six-month period. The additional volumes constitute trucked-in production water which has more oil content than pipeline volumes. Pipeline volumes made up about 70% of total fluid disposal volumes in 2022 and now represent about 40%. As a result, recovered oil volumes increased seven-fold to 1,571 barrels in Q2 2023 from 220 barrels for Q2 2022 and increased four-fold to 3,188 barrels for the six months ended June 30, 2023, from 807 barrels for the comparable 2022 six-month period. However, oil recovery at this facility is low relative to the Corporation's other SWD facilities and due to measures introduced by a major customer to reduce the oil content of the water being trucked to the site.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

Marketing efforts to increase disposal volumes at this site remain a focus for the Corporation and these efforts are paying 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 more than doubled to \$277,000 for Q2 2023 from \$122,000 for Q2 2022. Fluid disposal revenues increased to \$229,000 from \$113,000, while oil revenues increased to \$48,000 from \$8,900 despite a 33% decrease in the netback oil price and a 11% decrease in trucked-in water pricing. Flowback pricing decreased 33% for Q2 2023 relative to Q2 2022 when flowback volumes included oilfield surface wastewater which commanded a higher disposal price.

For the six months ended June 30, 2023, total revenues increased 88% to \$499,000 from \$266,000 for the comparable 2022 six-month period. Fluid disposal revenues increased to \$400,000 from \$238,000 and oil revenues increased to \$99,000 from \$28,000 despite a 24% decrease in the netback oil price and a 10% decrease in trucked-in water pricing.

Operating Costs and Royalties:

Operating costs averaged \$0.63 per barrel for Q2 2023 compared to \$0.52 per barrel for Q2 2022. The increase in unit cost is mainly due to increased labour costs with the return to full staffing levels following commissioning of the second disposal well and in advance of anticipated disposal volume increases.

For the six months ended June 30, 2023, operating costs averaged \$0.68 per barrel compared to \$0.51 per barrel for the comparable 2022 six-month period, with the increase mainly due to higher labour costs and solids disposal expenses.

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:

Effective October 14, 2022, the Company disposed of the Clairmont Terminal assets and associated liabilities to its joint venture partner for \$1,400,000 (\$1,250,000 net of costs). The disposition consisted of Clairmont Terminal property, plant and equipment, four associated wells and associated decommissioning liabilities and surface lease liabilities. After this disposition, the remaining oil and gas assets at Clairmont were considered to be a discontinued operation for accounting purposes.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

Disposal of Remaining Oil and Gas Assets:

Effective May 24, 2023, the Company disposed of its wholly owned subsidiary White Owl Energy Services Ltd. for nominal consideration, subject to closing conditions and adjustments. This subsidiary held the remaining oil and gas properties at Clairmont. The disposition included 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. As a result of this transaction, the Company recognized a gain on disposition of subsidiary of \$566,000 in comprehensive income for the three and six months ended June 30, 2023.

In addition to the cash consideration, in the event the buyer completes a liquidity event on or before November 24, 2024, the buyer will cause the resulting issuer to issue 1,000,000 resulting issuer shares from treasury to the Company.

Environmental and Safety:

There were no spills, environmental or safety incidents in the three and six months ended June 30, 2023.

Net Loss from Discontinued Operation:

Due to the elimination of operating losses after the sale of the Clairmont assets, the Corporation recorded a net gain from discontinued operation of \$558,000 for Q2 2023 versus a net loss from discontinued operation of \$313,000 for Q2 2022. For the six months ended June 30, 2023, the Corporation recorded a net gain from discontinued operation of \$502,000 versus a net loss from discontinued operation of \$616,000 for the comparable 2022 six-month period. For the three and six months ended June 30, 2023, the gain from discontinued operation includes the gain on disposition of subsidiary of \$566,000.

(\$000's)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue	-	319	-	492
Expenses				
Operating costs	2	478	30	903
General and administrative	2	12	4	32
Depreciation	-	9	31	20
Finance costs	4	24	9	44
Gain on disposition of subsidiary	566	-	566	-
(Gain) loss on abandonment	-	109	(10)	109
	558	632	502	1,108
Net gain (loss) from discontinued operation	558	(313)	502	(616)

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

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, as well as interest earned on cash deposits. For the three and six months ended June 30, 2023, other revenue increased to \$102,000 and \$191,000, respectively, from \$76,000 and \$146,000 for the three and six months ended June 30, 2022, respectively. The increase in other revenue is mainly due to interest earned on cash deposits increasing by \$44,000 for the six months ended June 30, 2023, over the comparable 2022 six-month period.

G&A EXPENSES

(\$000's)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Salaries and management expenses	337	303	655	594
Professional Fees	93	107	151	165
Travel and related expenses	30	18	47	38
General office expenses	83	72	173	143
Third party consulting fees	23	15	51	35
Total from continuing operations	566	515	1,077	975
Discontinued operation	2	12	3	32
Total	568	527	1,080	1,007

For the three months ended June 30, 2023, salaries and management expenses increased to \$337,000 from \$303,000 for Q2 2022 mainly due to cost-of-living adjustments implemented in June 2022. Q2 2023 professional fees decreased to \$93,000 from \$107,000 for Q2 2022 which included financial advisory fees. General office expenses increased to \$83,000 for Q2 2023 from \$72,000 for Q2 2022 mainly due to higher computer support costs and insurance premiums.

For the six months ended June 30, 2023, total G&A expenses increased 7% to \$1,080,000 from \$1,007,000. Salaries and management expenses increased to \$655,000 from \$594,000 due to the previously mentioned cost of living adjustments in Q2 2022.

DEPRECIATION

Depreciation from continuing operations increased to \$478,000 and \$949,000 for the three and six months ended June 30, 2023, respectively, from \$408,000 and \$815,000 for the three and six months ended June 30, 2022, respectively mainly due to capital costs incurred in Q4 2022 for the Corporation's share of the Epping 2nd well capital costs.

IMPAIRMENT

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

At June 30, 2023, White Owl evaluated its property, plant and equipment for indicators of any potential impairment or related reversal. As a result of this assessment, no indicators were identified, and no impairment or related reversal was recorded on White Owl's property, plant and equipment assets.

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 the Clairmont CGU as the Company planned to abandon all of the remaining oil and gas wells at the Clairmont CGU in 2023. The recoverability of these assets was assessed at \$nil as they will be abandoned and reclaimed 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 against oil and gas properties and property, plant and equipment. No indicators were identified, and no impairment or related reversal was recorded on North Dakota CGUs' property, plant and equipment assets.

FINANCE COSTS

(\$000's)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Interest on long-term debt	230	172	420	329
Interest on promissory notes, loans payable and mortgage payable	-		-	1
Interest on lease liabilities	4	1	7	1
Accretion of decommissioning obligations	13	8	27	15
Accretion of transaction costs	34	34	72	66
Interest (income) expenses, bank charges and other	11	(14)	14	(12)
Total from continuing operations	292	201	540	400
Discontinued operation	4	24	10	44
Total	296	225	550	444

For the three months ended June 30, 2023, the Company's average interest rate on the senior lender's long-term debt was 11.11% compared to 6.95% for Q2 2022. For the six months ended June 30, 2023, the Company's average interest rate on the senior lender's long-term debt was 9.68% compared to 6.68% for the 2022 comparable six-month period. The interest rate is calculated at the US dollar floating interest rate plus 1.50%.

FOREIGN EXCHANGE GAINS AND LOSSES

The foreign exchange gains and losses reflect the impact of changes in exchange rates on US dollar cash balances and short-term intercompany loans. For the three months ended June 30, 2023, the Company recorded foreign exchange gains of \$335,000 compared to foreign exchange losses of \$347,000 for Q2 2022. For the six months ended June 30, 2023, the Company recorded foreign exchange gains of \$335,000 compared to

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

foreign exchange losses of \$209,000 for the comparable 2022 six-month period. The average exchange rate for Q2 2023 was 1.3431 compared to 1.2765 for Q2 2022, while for the six months ended June 30, 2023, the average exchange rate was 1.3475 versus 1.2714 for the comparable 2022 six-month period.

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 and six months ended June 30, 2023, the Company recorded share-based payments of \$15,000 and \$32,000, respectively, compared to \$16,000 and \$28,000 for the three and six months ended June 30, 2022, respectively. 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)	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Revenue ⁽²⁾	\$4,802	\$4,353	\$4,199	\$4,098	\$4,306	\$3,632	\$3,185	\$2,474
EBITDA ⁽¹⁾	1,651	1,413	1,389	1,955	2,221	1,628	953	623
Net income (loss) from continuing operations ⁽²⁾	1,184	666	821	388	1,232	1,644	304	215
Net income (loss) from discontinued operation	558	(56)	(48)	(64)	(313)	(303)	(169)	(254)

(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 increase in net income to \$1,184,000 for Q2 2023 from \$666,000 for Q1 2023 is mainly due to the increase in disposal revenues. The increase in net income from discontinued operation is due to a gain of \$566,000 on disposition of a subsidiary (please see **Canada** on Page 16). The decrease in net income from continuing operations to \$666,000 for Q1 2023 from \$821,000 for Q4 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 from continuing operations 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 from continuing operations 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

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

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 June 30		Six months ended June 30	
(\$000's)	2023	2022	2023	2022
Capital expenditures	264	241	357	292

Capital Expenditures:

Capital expenditures totaled \$264,000 for Q2 2023 compared to \$241,000 for Q2 2022. For the six months ended June 30, 2023, capital expenditures totaled \$357,000 versus \$292,000 for the 2022 comparable six-month period. The capital expenditures mainly include a de-sand tank, piping upgrades and installation costs for a second rental pump at Ross, electrical upgrades at the New Town SWD facility 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 June 30, 2023	65,633	\$21,118	26,469	\$12,353	92,102	\$33,471

As at June 30, 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 June 30, 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 and six months ended June 30, 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:

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

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 was paid by the Company on April 1, 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 June 30, 2023 and December 31, 2022, the financial covenant related to the loan agreement is as follows:

Covenant description	Position at June 30, 2023	Position at December 31, 2022
Fixed charge coverage ratio	1.29	1.56

As at June 30, 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 June 30, 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 \$244,241 (US\$184,472) on the operating loan at June 30, 2023 (December 31, 2022 – \$nil).

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

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

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 June 30, 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 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 through 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.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

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

The rig count in North Dakota averaged 38 rigs during Q2 2023, a reduction from 45 rigs in Q1 2023 although completion activity remained steady. In general, White Owl's larger customers indicate that they have at least 10 years of Tier 1 acreage available for development and that they see production in the Bakken plateauing from 2024 to 2026. Bakken production is expected to level out at 1,200,000 bpd in 2024 and is estimated to remain at this rate for eight to ten years.

For White Owl these stable production levels indicate that over the midterm, business at our network of SWDs should remain steady, absent significant changes in oil price which would result in improved performance, or changes in production practices.

Our customers are primarily active in Tier 1 regions of the Bakken and to keep ahead of horizontal well declines, and maintain oil and gas production, are incented to continue drilling and completing new wells. The majority of these customers, as indicated above, report that they have more than 10 years of Tier 1 drilling inventory remaining.

Corporate Review

As mentioned in the highlights above, several significant events took place during Q2 2023 and shortly thereafter that resulted in a lowering of balance sheet risk and a reduction in long-term debt.

An important milestone has been reached with a 37% reduction in senior bank debt since the beginning of the year. In July 2023, the Corporation has made one-time principal prepayments of US\$1.4 million on its outstanding debt with Business Development Bank of Canada ("BDC"), bringing year-to-date total debt principal payments to US \$2.6 million, funded by the Company's strong cash position. With additional prepayments scheduled for the second half of 2023, we estimate that term debt with BDC will be down to US\$3.5 million at the end of Q4 2023.

In May 2023, White Owl closed the sale of its Clairmont oil and gas property to an oil and gas company. This transaction resulted in the elimination of \$2.6 million of Alberta Energy Regulator liabilities from the balance sheet and the elimination of the uncertainty surrounding the cost estimates for abandoning the remaining 19 well bores on the property. As part of the transaction, the Corporation gave up \$1.1 million of cash and \$1.2 million in AER deposits.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

The expectation is that the buyer will begin trading on the TSX Venture exchange on or before November 24, 2024, and that this will cause the resulting issuer to issue 1,000,000 resulting issuer shares from treasury to the Corporation.

Also, during 2023, and of importance to all shareholders, the Company has been approached by certain shareholder representatives requesting changes to the current Board of Directors failing which, at their decision, may lead to an expensive and time-consuming proxy contest. It is our understanding many of our preferred and common shareholders have been approached directly by these representatives seeking support. The Company continues to remain open and will engage in discussions with these certain shareholders with the objective of finding an amicable resolution for all stakeholders involved.

Our business plan in the near-term is to continue paying down debt and to continue making improvements to all of our facilities and incrementally grow our business and EBITDA in North Dakota. Through the efforts of our people, the business continues to perform well, and we expect this performance to last, allowing the Company to execute its business plan.

We also appreciate the ongoing support of our shareholders and should you have any questions, please do not hesitate to contact me directly at 403-457-5456 extension #101 or pinnello@whiteowl-services.com. We sincerely thank you for this support and confidence in the management and board of White Owl.

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.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q2 2023

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.

Visit our website at www.whiteowl-services.com