November 21, 2023

REPORT TO OUR SHAREHOLDERS

To Our Shareholders,

We are pleased to provide you with the Consolidated Interim Financial Statements and Management's Discussion of Financial Results of White Owl Energy Services Inc. ("White Owl" or "the Corporation" or "the Company") for the three months and nine months ended September 30, 2023.

THIRD QUARTER AND YEAR TO DATE SEPTEMBER 30, 2023, HIGHLIGHTS

Highlights for the three and nine months ended September 30, 2023, are summarized as follows:

- Bank term debt repayments totaled US$2,202,862 in Q3 2023 as White Owl continues its debt reduction strategy in the current high interest rate environment, resulting in outstanding long-term debt of US$3,784,358 (CAD $4,821,000) at September 30, 2023. In October and November 2023, White Owl has further reduced bank term debt by US$713,880. Since December 31, 2022, the Corporation has reduced its bank term loan by 57%, or US$4,058,382, resulting in an outstanding long-term debt balance of US$3,070,478 as at November 21, 2023, the date of this report.
- Q3 2023 EBITDA from continuing operations is $1,884,000, up 13% from $1,664,000 in Q2 2023, but down 4% from $1,955,000 earned in Q3 2022 when the realized net oil price averaged US$82.60 per barrel versus US$73.01 per barrel in Q3 2023. For the nine months ended September 30, 2023, EBITDA from continuing operations totaled $4,949,000 compared to $5,803,000 for the comparable 2022 nine-month period when the net realized oil price was 28% higher than the average for the current nine-month period.
- Fluid disposal revenues increased 57% to $3,500,000 for Q3 2023, from $2,231,000 for Q3 2022. The increase is a result of the current quarter's disposal volumes increasing 34% to average 44,559 barrels per day ("bpd") from 33,302 bpd for Q3 2022, due to sustained drilling and completion activity across North Dakota during the past year. For the nine months ended September 30, 2023, fluid disposal revenues increased 52% to $9,088,000 from $5,975,000 for the prior year nine-month period as a result of disposal volumes increasing 36% to 41,235 bpd from 30,289 bpd.
- Recovered oil volumes for Q3 2023 increased 40% to 22,524 barrels from 16,123 barrels for Q3 2022 and, despite lower oil prices, oil sales revenue increased 27% between the two quarters. For the nine months ended September 30, 2023, recovered oil volumes increased 17% to 60,237 barrels from 51,301 barrels

for the prior year comparable period, while oil sales revenue decreased 3% to $5,586,000 from $5,786,000 due to lower oil prices.

- The average realized net oil price (“netback price”) received for White Owl’s recovered oil volumes for Q3 2023 decreased 12% to US$73.01 per barrel from US$82.60 per barrel for Q3 2022, while the netback price decreased 22% to US$68.89 per barrel for the nine months ended September 30, 2023, from US$87.96 per barrel for the comparable 2022 nine-month period. A positive North Dakota differential of US$0.57 per barrel for Q3 2023 over the West Texas Intermediate price (“Positive Differential”) benefited the netback price for the quarter. For Q3 2022, the Positive Differential was US$3.50 per barrel.
- 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 11,718 bpd for Q3 2023, an increase of 19% from 9,850 bpd in Q2 2023, and a 57% increase over 7,487 bpd recorded in Q1 2023.
- Alexander disposal volumes more than doubled to 39,712 barrels for Q3 2023 from 18,534 barrels for Q3 2022. For the nine months ended September 30, 2023, disposal volumes at this site increased 154% to 97,541 barrels from 38,439 barrels for the prior year nine-month period. As a result, year-to-date operating income increased for Alexander to $280,000 from a nominal $4,000 for the prior year nine-month period.
- Capital expenditures for the three and nine months ended September 30, 2023, totaled $656,000 and $1,012,000, respectively. Capital projects for the year to date include $471,000 at the New Town SWD facility (electrical upgrades and stormwater pond upgrades), and $403,000 at the Ross SWD facility (de-sand tank and piping upgrades, rental pump installation and rural water connection).

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

($000's, unless otherwise noted)	Three months ended September 30 [2], 2023	2022	%	Nine months ended September 30 [2], 2023	2022	%
Continuing operations						
North Dakota operations						
Disposal volumes (Bbls)	**4,099,450**	3,063,741	34%	**11,257,037**	8,268,842	36%
Recovered oil sales volumes (Bbls)	**22,524**	16,123	40%	**60,237**	51,301	17%
Disposal revenue ($ per Bbl)	**$0.85**	$0.73	17%	**$0.81**	$0.72	12%
Oil sales revenue ($ per Bbl)	**$98.06**	$107.83	-9%	**$92.73**	$112.78	-18%
Operating costs and royalties ($ per Bbl)	**$0.82**	$0.51	61%	**$0.75**	$0.57	31%
North Dakota disposal and services revenue						
Disposal revenue	**$3,500**	$2,231	57%	**$9,088**	$5,975	52%
Oil sales revenue	**2,209**	1,739	27%	**5,586**	5,786	-3%
Other revenue	**125**	128	-2%	**315**	275	15%
Total revenue – North Dakota continuing operations	**5,834**	4,098	42%	**14,989**	12,036	25%
Operating costs	**(3,376)**	(1,576)	114%	**(8,390)**	(4,690)	79%
Operating income[1] – North Dakota continuing operations	**$2,458**	$2,522	-3%	**$6,599**	$7,346	-10%
General and administrative expenses ("G&A")	**(574)**	(567)	1%	**(1,650)**	(1,543)	7%
EBITDA [1] continuing operations	**$1,884**	$1,955	-4%	**$4,949**	$5,803	-15%
Other income and expenses						
Depreciation	**(490)**	(426)	15%	**(1,440)**	(1,240)	16%
Amortization	**(16)**	(16)	0%	**(48)**	(46)	4%
Finance costs	**(302)**	(271)	11%	**(841)**	(671)	25%
Share-based payments	**(9)**	(23)	-61%	**(41)**	(51)	-20%
Foreign exchange gain (losses)	**(401)**	(825)	-51%	**(66)**	(1,034)	-94%
Gain (loss) on disposal of property, plant and equipment - net	**-**	(6)	-100%	**9**	(6)	-250%
Gain on loan payable forgiveness	**20**	-	100%	**20**	511	-96%
Income tax expense	**(1)**	-	100%	**(7)**	(2)	250%
Net income from continuing operations	**$685**	$388	77%	**$2,535**	$3,264	-22%
Income/loss from discontinued operation	**-**	(64)	-100%	**502**	(681)	174%
Net income	**$685**	$324	111%	**$3,037**	$2,583	18%

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

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

Q3 2023 is the Company's strongest quarter in 2023 to date with EBITDA from continuing operations of $1,884,000. This is an increase of 14% from $1,651,000 in Q2 2023 and up 33% from $1,412,000 in Q1 2023, but down 4% from $1,956,000 earned in Q3 2022 when the realized net oil price averaged US $82.60 per barrel versus US $73.01 per barrel in Q3 2023. With the disposition of the Corporation's Clairmont midstream assets in October 2022 and the Clairmont oil and gas assets in May 2023, the Corporation no longer conducts operations in Alberta or Canada. As a result, the comparative financial information in the table above has been restated to show the discontinued Alberta operations separately from the continuing North Dakota operations.

North Dakota – Continuing Operations

Operating Income:

Q3 2023 operating income remained relatively flat at $2,458,000 compared to $2,522,000 for Q3 2022 as higher fluid disposal revenues (up 34%) and recovered oil revenues (up 27%) were offset by increased operating costs (up 114%). As discussed below under "Operating Costs", the increase in operating costs is mainly attributable to the processing of higher disposal volumes, tank cleanout and related solids disposal costs, a well workover at the New Town SWD facility and a return to full staffing levels at all of the Company's sites. These increases in input costs are as a result of increased volumes at the Corporation's SWDs combined with inflationary pressures.

Volumes:

For the three and nine months ended September 30, 2023, fluid disposal volumes increased 34% and 36% to 44,559 bpd and 41,235 bpd, respectively, from 33,302 bpd and 30,289 bpd, respectively, for the 2022 comparable three and nine-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. This water is richer in oil content than produced water and pipeline water. For the three and nine months ended September 30, 2023, flowback volumes increased 203% to 6,592 bpd and increased 110% to 4,645 bpd, respectively, from 2,178 bpd and 2,216 bpd, respectively, for the 2022 comparable three and nine-month periods. In particular, the Ross and Tioga SWD facilities accounted for 84% of total flowback volumes for the nine months ended September 30, 2023, compared to 75% in the comparable 2022 nine-month period. Flowback water commands a higher disposal fee than production water and is currently 11% of fluid disposal volumes, up from 7% for the nine months ended September 30, 2022.

Non-hazardous industrial water volumes disposed by the Alexander facility are included in total fluid disposal volumes mentioned above and increased 155% to 96,541 barrels for the nine months ended September 30, 2023, from 37,893 barrels for the comparable 2022 nine-month period. The bulk of this volume was received during the second and third quarters 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 40% to 22,524 barrels for Q3 2023 from 16,123 barrels for Q3 2022, with the Ross and New Town SWD facilities accounting for 66% of total Q3 2023 oil volumes versus 72% for Q3 2022.

These two facilities accounted for 67% of White Owl's recovered oil volumes for the nine months ended September 30, 2023, compared to 79% for the comparable 2022 nine-month period. As discussed above, the increase in recovered oil volumes is mainly due to the increased flowback and early production water.

Revenue and Pricing:

The increased fluid disposal and recovered oil volumes led to Q3 2023 total revenues increasing 42% to $5,834,000 from $4,098,000 for Q3 2022. Fluid disposal revenues for Q3 2023 increased 57% to $3,500,000 from $2,231,000 for Q3 2022, while oil sales revenue increased 27% to $2,209,000 from $1,739,000 between the two quarters. For the nine months ended September 30, 2023, total revenues increased 25% to $14,989,000 from $12,036,000 for the comparable 2022 nine-month period, with disposal revenues increasing 52% to $9,088,000 from $5,975,000. For the current nine-month period, oil sales revenue remained relatively flat at $5,586,000 compared to $5,786,000 for the comparable 2022 nine-month period due to lower oil pricing.

Fluid disposal revenues also include flowback revenues which increased 76% to $1,845,000 for the nine months ended September 30, 2023, from $1,050,000 for the comparable 2022 nine-month period, as flowback volumes more than doubled, while flowback pricing decreased 16% between the two periods due to competitive pressures especially around the Tioga SWD facility.

Oil sales continue to be a material component of revenues and accounted for 37% of total revenues for the nine months ended September 30, 2023, down from 48% for the nine months ended September 30, 2022, when the realized net oil price was 28% higher. The average West Texas Intermediate price ("WTI") decreased 21% to US$77.38 per barrel for the nine months ended September 30, 2023, from US$98.06 per barrel for the comparable 2022 nine-month period. Similarly, the Corporation's netback oil price decreased 22% to US$68.89 per barrel for the current nine-month period from US$87.96 per barrel for the comparable 2022 nine-month 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$0.81 per barrel for the nine months ended September 30, 2023, versus US$2.29 per barrel for the 2022 comparable nine-month period).

Other revenue which includes interest earned on cash deposits and recoveries from joint venture operations increased 15% to $315,000 for the nine months ended September 30, 2023, from $275,000 for the nine months ended September 30, 2022. The increase is mainly due to interest earned on cash deposits increasing by $54,000 for the nine months ended September 30, 2023, over the comparable 2022 nine-month period, partially offset by a decrease of $14,000 in overhead recovery fees from Epping. In 2022, White Owl earned overhead fees related to construction management of the second disposal well which was commissioned in Q4 2022.

Operating Costs:

For the three and nine months ended September 30, 2023, operating costs and royalties from continuing operations increased 61% and 31% to $0.82 per barrel and $0.75 per barrel, respectively from $0.51 per barrel and $0.57 per barrel, respectively, for the three and nine months ended September 30, 2022. The $0.18 per barrel increase in operating costs for the nine months ended September 30, 2023, over the prior year nine-month period, is due to the following main factors:

- Disposal volumes increased 36% to 41,235 bpd in 2023 from 30,289 bpd in 2022, resulting in increased variable operating costs, particularly tank cleanout and related solids disposal costs, chemical and filter costs, repairs and maintenance and labour.

- The increase in flowback volumes (up 110% year-over-year) has resulted in tank cleanout and related solids' disposal costs increasing by $0.05 per barrel in 2023 to date over the prior year. In addition, the increased disposal volumes led to chemical and filter costs increasing by $0.02 per barrel year-over-year.

- Repairs and maintenance costs increased by $0.05 per disposal barrel for the nine months ended September 30, 2023, over the prior year comparable nine-month period.

- To handle the increased volumes in 2023, White Owl's sites returned to full staffing levels which led to the hiring of personnel and an increase in hourly rates and salaries to attract and retain people in a very tight labour market. As a result, labour costs for the nine months ended September 30, 2023, increased by $0.04 per barrel compared to the prior year nine-month period.

- Well workover costs of $342,000 (or, $0.02 per barrel) at the New Town SWD facility were incurred in Q3 2023 due to increasing annulus pressure levels from an apparent casing leak. Although the problem has been resolved with annulus pressure stable at zero, further work may be required in Q4 2023 or in early 2024.

Please see **OPERATING LOCATIONS** on Page 7 for additional information.

Alberta – Discontinued Operations

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.

OPERATING LOCATIONS (dollar amounts in USD except Clairmont):

New Town SWD

New Town Facility (amounts in USD except volumes)

		Q3 2023	Q3 2022	Change	YTD 2023	YTD 2022	Change
Production Water - Trucked	b/d	10,947	14,652	-25%	12,366	12,279	1%
Flowback	b/d	125	66	89%	152	193	-21%
Total Fluids Disposed	b/d	11,072	14,719	-25%	12,517	12,472	0%
Oil Sales	b/qtr, yr	5,539	7,909	-30%	16,963	22,477	-25%
Revenue:							
Production Water - Trucked		$490,718	$630,951	-22%	$1,628,421	$1,567,045	4%
Price for Production Water/bbl		0.49	0.47	4%	0.48	0.47	3%
Flowback		17,837	6,254	185%	50,161	79,653	-37%
Price for Flowback/bbl		1.55	1.02	51%	1.21	1.51	-20%
Recovered Oil		401,095	658,320	-39%	1,158,646	1,937,769	-40%
Price for Oil/bbl		72.41	83.24	-13%	68.30	86.21	-21%
Total Revenue		909,650	1,295,525	-30%	2,837,228	3,584,467	-21%
Total Revenue/bbl.		$0.89	$0.96	-7%	$0.83	$1.05	-21%
Operating Expenses		786,272	542,959	45%	1,859,978	1,516,420	23%
Operating Income		$123,378	$752,566	-84%	$977,250	$2,068,047	-53%

Environmental and Safety:

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

Operating Income:

For the nine months ended September 30, 2023, operating income decreased 53% to $977,250 from $2,068,047 for the comparable 2022 nine-month period, mainly due to lower recovered oil volumes (down 25%) and higher operating costs. Please see *"Operating Costs and Royalties"* below.

Q3 2023 operating income decreased 84% to $123,378 from $752,566 for Q3 2022 due to well workover costs of $255,120 recorded in the quarter, lower fluid disposal volumes (down 25%) and lower oil recovered volumes (down 30%).

Volumes:

For the nine months ended September 30, 2023, disposal volumes remained flat at 12,517 bpd compared to 12,472 bpd for the comparable 2022 nine-month period. Q3 2023 fluid disposal volumes for this facility decreased 25% to 11,072 bpd from 14,719 bpd for Q3 2022, mainly due to a temporary shut-down in September to complete downhole work on the disposal well. Please see *"Operating Costs and Royalties"* below.

Flowback volumes continue to be low at this site due to competitive pressure from an adjoining SWD where the competitor prices flowback disposal at production water prices. For the three and nine months ended September 30, 2023, flowback volumes averaged 125 bpd and 152 bpd, compared to 66 bpd and 193 bpd for the 2022 comparable periods.

While fluid disposal volumes remained flat, recovered oil volumes for the nine months ended September 30, 2023, decreased 25% to 16,963 barrels from 22,477 barrels for the comparable 2022 nine-month period. Oil recovery volumes have decreased to a monthly average of 1,900 barrels in 2023 from 2,500 barrels in 2022 mainly due to the age of the wells that provide production water to the New Town SWD facility. In 2022, fluid disposal volumes contained a higher proportion of early production water from new wells, which contains more oil than produced water from older wells. Q3 2023 recovered oil volumes decreased 30% to 5,539 barrels from 7,909 barrels for Q3 2022 mainly due to the 25% decrease in fluid disposal volumes between the two periods.

Revenues and Pricing:

While fluid disposal revenues increased 2% to $1,678,582 for the nine months ended September 30, 2023, from $1,646,698 for the comparable 2022 nine-month period, oil revenues decreased 40% to $1,158,646 from $1,937,769 over the same nine-month periods. This decrease was a result of a 25% decrease in oil volumes combined with an 18% decrease in the realized net oil price - please see "*Volumes"* above). As a result, total revenues decreased 21% to $2,837,228 for the nine months ended September 30, 2023, from $3,584,467 for the 2022 nine-month period, mainly due to lower recovered oil revenues.

Similarly, Q3 2023 total revenues decreased 30% to $909,650 from $1,295,525 for Q3 2022 due to fluid disposal revenues decreasing 20% to $508,555 from $637,205 over the two quarters. Q3 2023 oil revenues decreased 39% to $401,095 from $658,320 for Q3 2022 due to lower oil volumes (down 30%) and lower oil pricing (down 10%).

Operating Costs and Royalties:

For the nine months ended September 30, 2023, operating costs increased 23% to $1,859,978 (or $0.54 per barrel) from $1,516,646 (or $0.45 per barrel) for the comparable 2022 nine-month period, mainly due to well workover costs of $255,120 (or $0.07 per barrel) recorded in Q3 2023. In addition, solids disposal costs, chemical and filter costs and labour costs increased in the current nine-month period.

Q3 2023 operating costs increased 45% to $786,272 (or $0.77 per barrel) from $542,959 (or $0.40 per barrel) for Q3 2022, mainly due to the well workover which accounted for $0.25 per barrel of expenses in the current quarter. During the quarter, the annulus on the disposal well pressured up on an intermittent basis, and the downhole isolation packer and well tubing were replaced. Following the workover, the annulus passed regulatory inspection but has continued to pressure up on an intermittent basis. Further downhole work may be needed in Q4 2023 or Q1 2024 should the annulus pressure return.

Work began earlier in 2023 to remediate soil beneath the injection pump skids and this project to replace the contaminated soil with clean soil is ongoing. The modified pump building will be placed within a lined containment area and this work is expected to be completed in the fourth quarter. The estimated costs of $350,000 for this project have been accrued in the condensed cconsolidated interim financial statements of White Owl for the three and nine months ended September 30, 2023.

Capital Project:

Capital projects for the nine months ended September 30, 2023, totaled $350,100 and included electrical system upgrades ($182,000), stormwater pond construction and upgrades ($99,000) and injection pump skid upgrade ($44,000).

The electrical system upgrade includes installing a new transformer and upgrades to the electrical panels. The upgrades to the main electrical panels were completed in Q3 2023, while the transformer will be installed during Q4 2023.

The project to upgrade the stormwater ponds was substantially completed in Q3 2023 with excavations for enlarging the south stormwater pond and construction of a new north stormwater pond. The liner for both ponds will be installed during Q4, 2023.

The injection system at the New Town SWD is being upgraded with the purchase and installation of an 800-hp horizontal permanent pump to replace the existing 600-hp rental pump. This project is scheduled for the first half of 2024 and will result in increased plant capacity of 3,000 bpd.

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Watford City SWD

Watford Facility (amounts in USD except volumes)							
		Q3 2023	**Q3 2022**	**Change**	**YTD 2023**	**YTD 2022**	**Change**
Production Water - Trucked	b/d	5,073	4,861	*4%*	6,618	5,914	*12%*
Production Water - Piped	b/d	0	1,181	*-100%*	309	398	*100%*
Flowback	b/d	770	349	*121%*	450	337	*34%*
Total Fluids Disposed	b/d	5,843	6,392	*-9%*	7,378	6,649	*11%*
Oil Sales	b/qtr, yr	3,046	2,097	*45%*	10,600	7,548	*40%*
Revenue:							
Production Water - Trucked		$233,087	$203,097	*15%*	$902,512	$731,038	*23%*
Price for Prodn. Water-Trucked/bbl		0.50	0.45	*10%*	0.50	0.45	*10%*
Production Water - Piped		0	81,513	*-100%*	40,548	81,513	*100%*
Price for Prodn. Water Piped/bbl		0.00	0.75	*-100%*	0.48	0.75	*100%*
Flowback		79,599	33,284	*139%*	135,171	119,892	*13%*
Price for Flowback/bbl		1.12	1.04	*8%*	1.10	1.31	*-16%*
Recovered Oil		223,845	172,974	*29%*	725,664	670,668	*8%*
Price for Oil/bbl		73.49	82.49	*-11%*	68.46	88.85	*-23%*
Other Income		0	0	*0%*	0	0	*0%*
Total Revenue		536,531	490,868	*9%*	1,803,895	1,603,111	*13%*
Total Revenue/bbl.		1.00	0.83	*20%*	0.90	0.88	*1%*
Operating Expenses		373,351	288,570	*29%*	1,111,254	831,984	*34%*
Operating Income		$163,180	$202,298	*-19%*	$692,641	$771,127	*-10%*

Environmental and Safety:

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

Operating Income:

For the nine months ended September 30, 2023, operating income decreased 10% to $692,641 compared to $777,127 for the comparable 2022 nine-month period. Q3 2023 operating income decreased 19% to $163,180 from $202,298 for Q3 2022 mainly due to increased tank clean out and related solids' disposal costs (please see "*Operating Costs and Royalties"* below).

Volumes:

Despite more active competition in the Watford City area, increased well completion activity led to fluid disposal volumes increasing 11% to 7,378 bpd for the nine months ended September 30, 2023, from 6,649 bpd for the nine months ended September 30, 2022. Q3 2023 fluid disposal volumes decreased 9% to 5,843 bpd from 6,392 bpd for Q3 2022 mainly due to the absence of pipeline volumes in the current quarter versus the 1,181 bpd of pipeline water received in Q3 2022.

With the higher disposal volumes and a higher proportion of oil-rich flowback water, recovered oil volumes increased 40% to 10,600 barrels for the nine months ended September 30, 2023, from 7,548 barrels for the comparable 2022 nine-month period, while Q3 2023 recovered oil volumes increased 45% to 3,046 barrels from 2,097 barrels for Q3 2022.

Revenues and Pricing:

For the nine months ended September 30, 2023, total revenues increased 13% to $1,803,395 from $1,603,111 for the comparable 2022 nine-month period. The increase in total revenues for the current nine-month period is mainly due to fluid disposal revenues increasing 16% to $1,078,231 from $931,443 for the prior year nine-month period, due to the 11% increase in disposal volumes and a 10% increase in pricing for trucked-in water at this facility. Recovered oil revenues for the current nine-month period increased 8% to $725,664 from $670,668 for the comparable 2022 nine-month period as the financial impact of the 40% increase in recovered oil volumes more than offset lower oil pricing.

Q3 2023 total revenues increased 9% to $536,531 from $490,868 for Q3 2022, mostly due to recovered oil revenues increasing by $50,900 as the 45% increase in oil volumes more than offsetting lower oil pricing. Q3 2023 fluid disposal revenues remained relatively flat at $312,686 compared to $317,894 for Q3 2022, as the lower volumes were offset by improved pricing for trucked-in water (up 10%).

Operating Costs and Royalties:

For the nine months ended September 30, 2023, operating costs increased 34% to $1,111,254 (or $0.74 per barrel) from $831,984 (or $0.57 per barrel) for the comparable 2022 nine-month period. The increase is mainly due to repairs and maintenance expenses increasing by $304,000 (or $0.15 per barrel) between Q3 2023 and Q3 2022. This increase is primarily due to tank cleanout and related solids' disposal expenses combined with repairs to the injection pump and its electrical drive.

Q3 2023 operating costs increased 33% to $501,000 ($0.55 per barrel) from $378,000 (or $0.46 per barrel) for Q3 2022, mainly due to higher tank clean out and related solids' disposal expenses (or $0.15 per barrel for the quarter) and higher labour costs (or $0.05 per barrel).

Capital Projects:

For the nine months ended September 30, 2023, capital projects at this site comprised upgrades to the fire detection system ($11,000).

Ross SWD

Ross Facility (amounts in USD except volumes)								
		Q3 2023	Q3 2022	Change	YTD 2023	YTD 2022	Change
Production Water - Trucked	b/d	13,994	6,061	131%	11,340	4,768	138%
Flowback	b/d	4,417	1,388	218%	3,085	1,051	194%
Total Fluids Disposed	b/d	18,411	7,448	147%	14,425	5,819	148%
Oil Sales	b/qtr, yr	9,842	4,781	106%	22,708	14,411	58%
Revenue:							
Production Water - Trucked		$651,699	$278,174	134%	$1,555,818	$649,523	140%
Price for Production Water/bbl		0.51	0.50	1%	0.50	0.50	1%
Flowback		479,537	148,329	223%	937,007	371,908	152%
Price for Flowback/bbl		1.18	1.16	2%	1.11	1.30	-14%
Recovered Oil		719,701	390,353	84%	1,576,949	1,283,642	23%
Price for Oil/bbl		73.13	81.65	-10%	69.44	89.07	-22%
Other Income		0	0	100%	0	0	100%
Total Revenue		1,850,937	816,856	127%	4,069,774	2,305,073	77%
Total Revenue/bbl.		1.09	1.19	-8%	$1.03	$1.45	-29%
Operating Expenses		778,372	358,416	117%	1,863,940	801,728	132%
Operating Income (Loss)		$1,072,565	$458,440	134%	$2,205,834	$1,503,345	47%

Environmental and Safety:

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

Operating Income:

Q3 2023 operating income increased dramatically by 134% to $1,072,565 from $458,440 for Q3 2022 as fluid disposal and recovered oil volumes increased 147% and 106%, respectively, due to increased producer activity in the area. For the nine months ended September 30, 2023, operating income increased 47% to $2,205,834 from $1,503,345 for the nine months ended September 30, 2022, due to higher fluid disposal revenues (up 144%) and recovered oil revenues (up 23%) which more than offset increased operating costs (up 132%). Please see "*Operating Costs and Royalties*" below.

Volumes:

For the nine months ended September 30, 2023, fluid disposal volumes increased 148% to 14,425 bpd from 5,819 bpd for the comparable 2022 nine-month period. The increase in disposal volumes is due to planned increases in well completion activity by area producers. Similarly, Q3 2023 fluid disposal volumes increased 147% to 18,411 bpd from 7,448 bpd for Q3 2022. A second rental injection pump was installed in Q2 2023 in anticipation of the increased disposal volumes. Fluid disposal volumes for Q3 2023 increased 48% over the previous quarter, Q2 2023.

Increases in well completions have led to flowback volumes increasing 49% to 4,417 bpd for Q3 2023 from 2,957 bpd for the prior quarter, Q2 2023, and more than three-fold from 1,388 bpd for last year's Q3 2022. For the nine months ended September 30, 2023, flowback volumes also tripled to 3,085 bpd from 1,051 bpd for the 2022 comparable nine-month period.

The increased fluid disposal volumes led to recovered oil volumes more than doubling to 9,842 barrels for Q3 2023 from 4,781 barrels for Q3 2022 and increasing 58% to 22,708 barrels for the current nine-month period from 14,411 barrels for the comparable 2022 period.

Revenues and Pricing:

For the nine months ended September 30, 2023, the increased fluid disposal and recovered oil volumes led to total revenues for the Ross SWD facility increasing 77% to $4,069,774 from $2,305,073 for the comparable 2022 nine-month period. Fluid disposal revenues increased 144% to $2,492,825 for the current nine-month period from $1,021,431 for the same period in 2022, approximately matching the 148% increase in disposal volumes. Recovered oil revenues increased 23% to $1,576,949 compared to $1,283,642 for the comparable nine-month period, as the increased oil volumes (up 58%) were partially offset by lower oil pricing (down 22%).

Q3 2023 total revenues increased 127% to $1,850,937 from $816,856 for Q3 2022. Fluid disposal revenues increased 165% to $1,131,236 from $426,503 between the two three-month periods, due to the higher disposal volumes (up 147%). Recovered oil revenues increased 84% to $719,701 for Q3 2023 from $390,353 for Q3 2022, as volumes more than doubled and oil pricing decreased 10%.

Operating Costs and Royalties:

For the nine months ended September 30, 2023, operating costs and royalties more than doubled to $1,863,940 (or $0.47 per barrel) from $801,728 (or $0.50 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 somewhat 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 nine-month period include the installation of a de-sand tank, piping upgrades and tank clean out and solids' disposal costs.

Q3 2023 operating costs increased 117% to $778,372 (or $0.46 per barrel) from $358,416 (or $0.52 per barrel) for Q3 2022 due to the significant increase in disposal volumes (up 147%).

Capital Projects:

For the nine months ended September 30, 2023, capital projects at this facility totaled $301,000 and included upgrades to the de-sand tanks and piping changes ($139,000), installation costs for the second rental pump ($58,000) and a rural water connection ($54,000). The second rental pump was installed to increase the injection capacity of the facility in response to significantly increased disposal volumes, as described above – please see "*Volumes*".

<u>Alexander Class 1 Facility</u>

Alexander Facility (Amounts in USD except volumes)								
		Q3 2023	**Q3 2022**	**Change**	**YTD 2023**	**YTD 2022**	**Change**
Class 1 Water-Trucked	b/d	432	201	*114%*	350	208	*68%*
Total Fluids Disposed	b/d	432	201	*114%*	350	208	*68%*
Class 1 Water	b/qtr. yr	39,712	18,333	*117%*	96,541	37,893	*155%*
Revenue:							
Class 1 Water		$204,300	$83,929	*143%*	$501,982	$195,319	*157%*
Price for Class 1 Water		5.14	4.58	*12%*	5.20	5.15	*1%*
Total Revenue		204,300	83,929	*143%*	501,982	195,319	*157%*
Total Revenue/bbl.		5.14	4.58	*12%*	5.20	5.15	*1%*
Operating Expenses		91,608	35,893	*155%*	293,442	194,051	*51%*
Operating Income (Loss)		$ 112,692	$ 48,036	*135%*	$ 208,540	$ 1,268	*-16346%*

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, some generators continue to use Class 2 facilities for disposal. This practice is anticipated to decline over time as internal pressure for environmental compliance combined with regulatory enforcement will encourage generators to use permitted Class 1 disposal. 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 nine months ended September 30, 2023.

Volumes:

Alexander volumes for Q3 2023 more than doubled to 39,712 barrels from 18,534 barrels for Q3 2022. Heavy snowfall late in 2022 and in Q1 2023 filled the region's leachate ponds, which has led to the significantly improved volumes for this facility both for the current quarter and for the year-to-date. For the nine months ended September 30, 2023, volumes increased 155% to 96,541 barrels from 37,893 barrels for the prior year nine-month period, with most of these volumes disposed in the second and third quarters. First quarter disposal activity is minimal at this site 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.

Due to downhole restrictions the injection capacity of the disposal well at this site is now limited to approximately 400-450 bpd, or 12,000 to 13,500 barrels per month, which exceeds the break-even volume level of 4,000 to 5,000 barrels per month. The available market is now greater than the capacity of the Alexander Class 1 well and management is looking at options to expand its disposal capacity.

Operating Income:

The higher disposal volumes resulted in operating income for the three and nine months ended September 30, 2023, increasing to $112,692 and $208,540, respectively, from $48,036 and $1,268, respectively, for the comparable 2022 periods.

Capital Projects:

Minimal capital projects are planned for this facility in 2023.

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Tioga SWD JV Facility

Tioga (Volumes 100%, dollar amounts at 47% in USD)		Q3 2023	Q3 2022	Change	YTD 2023	YTD 2022	Change
Production Water-Trucked	b/d	7,264	3,503	*107%*	4,888	4,434	*10%*
Production Water-Piped	b/d	97	1,476	*-93%*	33	1,358	*100%*
Flowback	b/d	2,637	774	*241%*	1,805	1,304	*38%*
Total Fluids Disposed	b/d	9,998	5,753	*74%*	6,726	7,097	*-5%*
Oil Sales	b/qtr. yr	8,063	2,700	*199%*	18,179	13,906	*31%*
Revenue:							
Production Water - Trucked		$147,242	$77,558	*90%*	$295,277	$284,525	*4%*
Price for Prodn. Water-Trucked/bbl		0.47	0.51	*-8%*	0.47	0.50	*-6%*
Production Water - Piped		2,186	33,193	*-93%*	2,186	90,638	*100%*
Price for Prodn. Water Piped/bbl		0.52	0.52	*0%*	0.52	0.52	*0%*
Flowback		109,156	42,143	*159%*	217,577	201,128	*8%*
Price for Flowback/bbl		0.96	1.26	*-24%*	0.94	1.20	*-22%*
Recovered Oil		278,015	104,626	*166%*	593,091	592,229	*0%*
Price for Oil/bbl		73.36	82.45	*-11%*	32.63	42.59	*-23%*
Other		0	0	*100%*	0	0	*100%*
Total Revenue		$536,598	$257,521	*108%*	1,108,130	1,168,520	*-5%*
Total Revenue/bbl.		1.24	1.04	*20%*	1.28	1.28	*0%*
Operating Expenses		290,732	128,813	*126%*	637,130	430,090	*48%*
Operating Income		$245,866	$128,708	*91%*	$471,000	$738,429	*-36%*

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 nine months ended September 30, 2023.

Operating Income:

Q3 2023 operating income increased 91% to $245,866 from $128,708 for Q3 2022 due to a 74% increase in fluid disposal volumes and a three-fold increase in recovered oil volumes. For the nine months ended September 30, 2023, operating income decreased 36% to $471,000 from $738,429 for the comparable 2022 nine-month period due to lower fluid disposal volumes (down 5%) and higher operating costs (up 48%). Please see "*Operating Costs and Royalties*" below.

Volumes:

Increased producer activity in the area led to a three-fold increase in recovered oil volumes to 8,063 barrels for Q3 2023 from 2,700 barrels for Q3 2022, and fluid disposal volumes increasing 74% to 9,998 bpd for the current quarter from 5,753 bpd for the prior year comparable quarter. In particular, flowback volumes more than tripled to 2,637 bpd from 774 bpd between the two quarters.

The increased flowback volumes (up 38%) led to recovered oil volumes increasing 31% to 18,179 barrels for the nine months ended September 30, 2023, from 13,906 bpd for the 2022 comparable nine-month period. For the nine months ended September 30, 2023, fluid disposal volumes decreased 5% to 6,726 bpd from 7,097 bpd for the comparable 2022 nine-month period.

Several producers are actively permitting and drilling wells in the area resulting in October 2023 volumes increasing to 12,300 bpd from 9,998 bpd in Q3 2022.

Revenues and Pricing:

Q3 2023 total revenues, net to White Owl, for this facility more than doubled to $536,598 from $257,521 for Q3 2022, due to higher fluid disposal volumes (up 74%) and the three-fold increase in recovered oil volumes offsetting lower pricing for production water (down 8%) and flowback (down 24%). Pricing decreased due to competitive pressures.

For the nine months ended September 30, 2023, total revenues, net to White Owl, remained relatively flat at $1,108,130 compared to $1,168,520 for the comparable 2022 nine-month period. Fluid disposal revenues for the current nine-month period remained flat at $575,040 compared to $576,291 for the 2022 comparable nine-month period, while recovered oil revenues also remained unchanged at $593,091 from $592,229, as oil volume sales increased 30% and oil pricing decreased 23%.

Operating Costs and Royalties:

The Tioga SWD facility has been attracting flowback water due to its high oil content, which has resulted in solids' buildup in the tanks. The additional revenue from flowback disposal fees and the resulting oil recovery significantly exceeds the increase in operating costs to remove solids' buildup in the tanks.

Q3 2023 operating costs and royalties increased 126% to $290,732 (or $0.67 per barrel) from $128,813 (or $0.52 per barrel) for Q3 2022. The increase in operating costs is mainly due to the 74% increase in fluid disposal volumes and tank clean out and related solids' disposal costs along with an increase in general repairs and maintenance which together accounted for $120,200 of the increase.

For the nine months ended September 30, 2023, operating costs and royalties increased 48% to $637,130 (or $0.74 per barrel) from $430,090 (or $0.47 per barrel) for the comparable 2022 nine-month period. Higher solids disposal costs and general repairs and maintenance expenses accounted for $175,600 (or $0.19 per barrel) of the increase.

Capital Projects:

For the nine months ended September 30, 2023, capital projects at this facility totaled $31,000 and included pump upgrades ($25,000) and injection skid sump pumps ($5,000). Due to permitting activity in the area and the increasing volumes being delivered to the Tioga SWD, a horizontal rental pump is being installed at the site during Q4 2023. The installation of a horizontal pump will reduce site maintenance costs on the older triplex injection pumps as well as increasing plant capacity by 2,000 bpd.

Epping SWD JV

Epping (Volumes 100%, Dollar amounts at 35% Working Interest in USD)

		Q3 2023	Q3 2022	Change	YTD 2023	YTD 2022	Change
Production Water-Trucked	b/d	7,868	1,521	*417%*	5,690	1,527	*272%*
Production Water-Piped	b/d	3,737	4,097	*-9%*	3,698	4,166	*-11%*
Flowback	b/d	114	35	*226%*	314	69	*352%*
Total Fluids Disposed	b/d	11,717	5,653	*107%*	9,701	5,763	*68%*
Oil Sales	b/qtr. yr	876	205	*327%*	4,064	1,012	*302%*
Revenue:							
Production Water-Trucked		$127,512	$25,462	*401%*	$271,237	$75,040	*261%*
Price for Production Water/bbl		0.50	0.56	*-10%*	0.50	0.55	*-10%*
Production Water-Piped		62,570	63,707	*-2%*	183,730	192,195	*-4%*
Price for Production Water/bbl		0.52	0.52	*0%*	0.52	0.52	*0%*
Flowback		5,150	1,299	*297%*	37,006	10,002	*270%*
Price for Flowback/bbl		1.41	1.24	*13%*	1.23	1.62	*-24%*
Recovered Oil		21,792	5,536	*294%*	95,441	28,169	*239%*
Price for Oil/bbl		71.08	83.09	*-14%*	67.10	79.53	*-16%*
Other Income		0	0	*0%*	0	0	*100%*
Total Revenue		217,025	96,003	*126%*	587,414	305,406	*92%*
Total Revenue/bbl.		0.58	0.57	*1%*	0.63	0.60	*6%*
Operating Expenses		193,624	89,855	*115%*	468,769	224,890	*108%*
Operating Income		$ 23,401	$6,148	*281%*	$118,645	$80,516	*47%*

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 overrun in 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:

In the third quarter of 2023, there were no reportable spills, environmental incidents or safety incidents.

Previously, 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 for the three and nine months ended September 30, 2023, increased to $23,401 and $118,645 from $6,148 and $80,516 for the three and nine months ended September 30, 2022. Increased disposal volumes following commissioning of the second well in November 2022 led to the increased operating income in 2023.

Volumes:

Q3 2023 fluid disposal volumes more than doubled to 11,718 bpd from 5,653 bpd for Q3 2022 following commissioning of the second injection well and connecting pipeline in Q4 2022. For the nine months ended September 30, 2023, fluid disposal volumes increased 68% to 9,701 bpd from 5,763 bpd for the comparable 2022 nine-month period. The additional volumes constitute trucked-in production water which has more oil content than pipeline volumes. Pipeline volumes which have very little oil content, now represent about 40% of total fluid disposal volumes in 2023 versus 79% in 2022. As a result, recovered oil volumes increased more than four-fold to 876 barrels in Q3 2023 from 205 barrels for Q3 2022 and also increased four-fold to 4,064 barrels for the nine months ended September 30, 2023, from 1,012 barrels for the comparable 2022 nine-month period.

Although fluid disposal volumes have been increasing since commissioning of the second well, oil recovery at this facility is low relative to the Corporation's other SWD facilities. This is due to the volume of pipeline water being received combined with measures introduced by a major customer to reduce the oil content of the water being trucked to the site.

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 in the area are forecasting increased activity in 2024 and 2025 with the pipeline connected customer requesting a significant increase in plant capacity for 2025.

Revenues and Pricing:

Total revenue net to White Owl more than doubled to $217,025 for Q3 2023 from $96,003 for Q3 2022, due to the higher fluid disposal volumes (up 107%) and recovered oil volumes (a four-fold increase). Fluid disposal revenues increased to $195,232 from $90,468, while oil revenues increased to $21,792 from $5,536 despite a 14% decrease in the netback oil price. Flowback pricing increased 13% for Q3 2023 relative to Q3 2022 due to the current quarter's volumes including oilfield surface wastewater which commanded a higher disposal price.

For the nine months ended September 30, 2023, total revenues almost doubled to $587,414 from $305,406 for the comparable 2022 nine-month period. Fluid disposal revenues increased 77% to $491,973 from $277,237 with higher-priced flowback revenues representing a greater proportion of total revenues in the current nine-month period. Oil revenues increased to $95,441 from $28,169 due to the increased oil volume sales (up four-fold), despite a 16% decrease in the netback oil price.

Operating Costs and Royalties:

Operating costs totaled $193,624 (or $0.51 per barrel) for Q3 2023 compared to $89,855 (or $0.49 per barrel) for Q3 2022. The increase in unit cost is mainly due to tank clean out and related solids disposal costs increasing by $27,300 in the current quarter. This is the first time that solids were removed from the water tanks at this facility which commenced operations in late 2018. With the increased volumes, solids' removal will be an annual activity and the de-sand tank will continue to be cleaned out approximately every 3 months.

For the nine months ended September 30, 2023, operating costs totaled $468,769 (or $0.51 per barrel) compared to $224,890 (or $0.41 per barrel), with the increase due to higher disposal volumes (up 68%) and the higher tank clean out costs mentioned previously. In addition, labour costs increased following the return to full staffing levels with commissioning of the second disposal well in Q4 2022 and in advance of anticipated disposal volume increases.

Capital Projects:

Minimal capital projects are planned for 2023. A sump collection system for the truck offloads is scheduled for Q4 2023.

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.

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 nine months ended September 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 nine months ended September 30, 2023.

Net Income (Loss) from Discontinued Operation:

For the nine months ended September 30, 2023, the Corporation recorded a net gain from discontinued operation of $502,000 versus a net loss of $681,000 for the comparable 2022 nine-month period. For the nine months ended September 30, 2023, the net income from discontinued operation includes the gain on disposition of subsidiary of $566,000.

($000's)	Three months ended September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
Revenue	**-**	316	**-**	808
Expenses				
Operating costs	**-**	353	**30**	1,256
General and administrative	**-**	3	**3**	35
Depreciation	**-**	10	**31**	30
Finance costs	**-**	26	**10**	70
Loss on abandonment	**-**	1	**-**	111
Gain on disposal of property, plant and equipment	**-**	(13)	**-**	(13)
Government abandonment grant in-kind	**-**	-	**(10)**	-
	-	380	**64**	1,489
Gain on disposition of subsidiary	**-**	-	**566**	-
Net income (loss) from discontinued operation	**-**	(64)	**502**	(681)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

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.

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.

We are always looking for ways to further reduce the amount of water we use in our operations and be more efficient with how we use it. We know our approach to water is important to the communities where we operate and to the environment. At our operations, we avoid land disturbance wherever possible. Before we start a project, we consider potential impacts to land and wildlife so they can be avoided, minimized or mitigated to help maintain healthy conditions. 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.

OUTLOOK

US Bakken Activity

Production in the Bakken region is currently around 1.27 million barrels per day (bpd) and is expected to reach 1.3 million bpd by year end, nearly 18% below the late 2019 peak, according to U.S. government data. The region is also seeing consolidation in the Bakken and this shift to more mergers and acquisitions has had an impact on North Dakota's production. North Dakota's Department of Mineral Resources' monthly reports frequently attribute lower rig counts in part to mergers and acquisitions.

During the quarter Chevron announced its intent to acquire Hess, one of White Owl largest customers and also one of the larger operators in the Bakken. Hess produced 190,000 barrels of oil equivalent per day (boepd) during Q3 2023. Chevron acquires this production plus 465,000 net acres (1,882 sq km) in the region, which Chevron describes as "long-duration inventory". Chevron is expected to largely adhere to Hess's plans for the Bakken, which includes growing net production to around 200,000 bpd by year-end 2025. Drilling with the same number of rigs that Hess currently uses would give Chevron around 15 years of inventory in the region. Chevron also hopes that new technology it is pioneering in the other shale regions where it operates would help squeeze more from the Bakken in the future.

Chevron has been a large proponent of carbon capture utilization and storage technology. Captured carbon dioxide emissions can be utilized for enhanced oil recovery which would allow Bakken producers to access hard-to-recover oil deposits (30-60% of what is in a reservoir, according to the federal Department of Energy). State officials are working to implement a regulatory framework which would allow oil and gas producers to use the technology once it is more readily available by giving inactive oil wells potential enhanced oil recovery status for 12 years. Success with this technology would certainly extend the life of the Bakken play beyond the 15 years of Tier 1 acreage that producers are developing.

With year-end just around the corner, producers appear to be reaching the end of 2023 budgets with the rig count now down to 33. With activity slowing down, we do not expect Q4 2023 to be a repeat of Q3, however our forecast for 2024 is based on continued drilling and completion activity and plant volumes meeting or exceeding 2023 levels.

Corporate Review

As mentioned in the highlights above, several significant events took place during Q3 2023 the year to date 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 57% reduction in senior bank debt since the beginning of the year. In 2023 to the date of this report, the Corporation has made principal payments of US$4.1 million on its outstanding debt with Business Development Bank of Canada ("BDC"), including one-time principal prepayments of US$2.9 million. These repayments were funded by the Company's beginning-of-year strong cash position and cash flows. We estimate that term debt with BDC will be down to US$3.0 million at the end of Q4 2023.

We are presently finalising our 2024 capital and operating budget and expect that 2024 will look a lot like 2023 in terms of plant throughputs and annual EBITDA. The plan is to continue paying down debt, fund incremental growth and consider the options available for shareholder returns. In our Q2 2023 report we alluded to ongoing discussions with certain individuals representing the Company's concerned shareholders. These discussions are on going and the board of directors is considering different alternatives and we expect to distribute an update to all shareholders on these matters prior to year-end.

Again, we would also like to thank all our staff in Alberta and North Dakota for their significant efforts in keeping the business operating at 100% of available capacity. Thank you for your commitment and loyalty and for your assistance in achieving strong operating and financial results for the three and nine months ended September 30, 2023.

We also appreciate the ongoing support of our shareholders and should you have any questions, please do not hesitate to contact the Corporation 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.

Sincerely,

On behalf of the Board of Directors,

Owen Pinnell, P.Eng.
President and CEO

NON-GAAP MEASURES

The MDFR refers to terms commonly used in the industry including operating income 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. The Company's method of determining non-GAAP measures is disclosed where the measure is first used within the MDFR. Operating income and EBITDA should not be considered as an alternative to, or more meaningful than, net income (loss) as determined in accordance with IFRS.

Cautionary Statements:

This letter contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward looking statements") within the meaning of applicable securities laws. All statements other than statements of present or historical fact are forward looking statements. Forward looking information is often, but not always, identified by the use of words such as “could”, “should”, “can”, “anticipate”, “expect”, “believe”, “will”, “may”, “projected”, “sustain”, “continues”, “strategy”, “potential”, “projects”, “grow”, “take advantage”, “estimate”, “well positioned” or similar words suggesting future outcomes. In particular, this letter contains forward looking statements relating to future opportunities, business strategies and competitive advantages. The forward-looking statements regarding White Owl Energy Services Inc. (“White Owl” or the “Corporation”) are based on certain key expectations and assumptions of White Owl concerning anticipated financial performance, business prospects, strategies, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of labour and services and the ability to obtain financing on acceptable terms, all of which are subject to change based on market conditions and potential timing delays. Although management of White Owl considers these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect.

By their very nature, forward looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. Undue reliance should not be placed on forward looking statements, as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in the forward looking statements, including among other things: inability to meet current and future obligations; inability to implement White Owl’s business strategy effectively for a number of reasons, including general economic and market factors, including business competition, changes in government regulations; access to capital markets; interest and currency exchange rates; commodity prices; technological developments; general political and social uncertainties; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation; timing and availability of external financing on acceptable terms; and lack of qualified, skilled labour or loss of key individuals. Readers are cautioned that the foregoing list is not exhaustive.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this letter are made as of the date of this letter and White Owl does not undertake and is not obligated to publicly update such forward looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

The information contained in this letter does not purport to be all-inclusive or to contain all information that a prospective investor may require. Prospective investors are encouraged to conduct their own analysis and reviews of White Owl and of the information contained in this letter. Without limitation, prospective investors should consider the advice of their financial, legal, accounting, tax and other advisors and such other factors they consider appropriate in investigating and analyzing White Owl.

Any financial outlook or future-oriented financial information, as defined by applicable securities legislation, has been approved by management of White Owl as of the date hereof. Such financial outlook or future-oriented financial information is provided for the purpose of providing information about management's current expectations and goals relating to the future of White Owl. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

White Owl uses terms within this letter, including, among others, “EBITDA”, which terms do not have a standardized prescribed meaning under generally accepted accounting principles (“GAAP”) and these measurements are unlikely to be comparable with the calculation of similar measurements of other entities. Prospective investors are cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with GAAP.

This letter does not constitute an offer to sell securities of the Corporation or a solicitation of offers to purchase securities of the Corporation. Such an offer or solicitation will only be conducted in accordance with applicable securities laws and pursuant to an enforceable agreement of purchase and sale.