Consolidated Financial Statements of

WHITE OWL ENERGY SERVICES INC.

December 31, 2023 and 2022

(Expressed in thousands of Canadian dollars)

Independent Auditor's Report

To the Shareholders of White Owl Energy Services Inc.:

Opinion

We have audited the consolidated financial statements of White Owl Energy Services Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

MNP LLP
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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Alberta

MNP LLP

March 25, 2024

Chartered Professional Accountants

MNP

WHITE OWL ENERGY SERVICES INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in thousands of Canadian dollars)

	December 31, 2023	December 31, 2022
ASSETS		
CURRENT		
Cash and cash equivalents	**1,810**	6,809
Trade and other receivables (Note 20)	**3,365**	2,957
Promissory note (Note 22)	**23**	23
Deposits and prepaid expenses	**245**	1,483
	5,443	11,272
Property, plant and equipment (Note 6)	**22,070**	23,092
Intangible assets (Note 7)	**63**	129
Total assets	**27,576**	34,493
LIABILITIES		
CURRENT		
Trade and other payables	**3,646**	4,590
Loans payable (Note 10)	**-**	60
Promissory note (Note 11)	**-**	353
Current portion of long-term debt (Note 9)	**1,533**	2,277
Current portion of lease liabilities (Note 12)	**119**	87
Current portion of deferred consideration (Note 13)	**112**	115
Current portion of decommissioning liabilities (Note 14)	**10**	1,472
	5,420	8,954
Long-term debt (Note 9)	**2,142**	6,967
Lease liabilities (Note 12)	**45**	172
Deferred consideration (Note 13)	**1,122**	1,264
Decommissioning liabilities (Note 14)	**1,309**	2,634
Total liabilities	**10,038**	19,991
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 16)	**33,471**	33,471
Contributed surplus	**1,645**	1,599
Accumulated other comprehensive income	**4,452**	5,269
Deficit	**(22,030)**	(25,837)
Total shareholders' equity	**17,538**	14,502
Total liabilities and shareholders' equity	**27,576**	34,493

Commitments and contingencies (Note 23)

Approved on behalf of the Board of Directors:

Signed "Owen C. Pinnell"
Director

Signed: "Robb D. Thompson"
Director

The accompanying notes are an integral part of the consolidated financial statements.

WHITE OWL ENERGY SERVICES INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Expressed in thousands of Canadian dollars)

	Year ended December 31, 2023	2022
CONTINUING OPERATIONS		
REVENUE (Note 18)	**20,262**	16,236
EXPENSES (INCOME)		
Operating costs	**11,401**	6,806
General and administrative (Note 22)	**2,371**	2,236
Depreciation (Note 6)	**1,979**	1,748
Amortization (Note 7)	**64**	62
Impairment (Note 6)	**470**	-
Finance costs (Note 19)	**1,050**	889
Foreign exchange (gain) loss	**(378)**	878
Share-based payments (Note 17)	**46**	68
(Gain) loss on disposal of property, plant and equipment – net (Note 6)	**(15)**	6
Gain on loan payable forgiveness (Note 10)	**(20)**	(511)
Gain on abandonment (Note 14)	**(19)**	(34)
	16,949	12,148
NET INCOME BEFORE INCOME TAXES	**3,313**	4,088
INCOME TAXES (Note 15)	**8**	3
NET INCOME FROM CONTINUING OPERATIONS	**3,305**	4,085
NET INCOME (LOSS) FROM DISCONTINUED OPERATION (Note 5)	**502**	(729)
NET INCOME	**3,807**	3,356
OTHER COMPREHENSIVE INCOME (LOSS)		
Exchange (loss) gain on translating foreign operations	**(966)**	2,356
Change in fair value of net investment hedges (Note 20)	**149**	(670)
	(817)	1,686
NET COMPREHENSIVE INCOME	**2,990**	5,042

The accompanying notes are an integral part of the consolidated financial statements.

WHITE OWL ENERGY SERVICES INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance at December 31, 2021	33,471	1,531	3,583	(29,193)	9,392
Net income	-	-	-	3,356	3,356
Other comprehensive income	-	-	1,686	-	1,686
Share-based payments (Note 17)	-	68	-	-	68
Balance at December 31, 2022	33,471	1,599	5,269	(25,837)	14,502
Net income	**-**	**-**	**-**	**3,807**	**3,807**
Other comprehensive loss	**-**	**-**	**(817)**	**-**	**(817)**
Share-based payments (Note 17)	**-**	**46**	**-**	**-**	**46**
Balance at December 31, 2023	**33,471**	**1,645**	**4,452**	**(22,030)**	**17,538**

The accompanying notes are an integral part of the consolidated financial statements.

WHITE OWL ENERGY SERVICES INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in thousands of Canadian dollars)

	Year ended December 31, 2023	2022
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net income	**3,807**	3,356
Adjustments for non-cash items:		
Depreciation (Note 6)	**2,010**	1,773
Amortization (Note 7)	**64**	62
Impairment (Note 5&6)	**470**	1,343
Accretion of decommissioning obligations (Note 14)	**98**	105
Interest on lease liabilities (Note 12)	**16**	14
Accretion of transaction costs (Note 9)	**167**	137
Unrealized foreign exchange (gain) loss	**(433)**	863
Gain on disposition of subsidiary (Note 5)	**(566)**	-
Gain on disposal of property, plant and equipment – net (Note 6)	**(15)**	(1,395)
Gain on loan payable forgiveness (Note 10)	**(20)**	(511)
(Gain) loss on abandonment (Note 14)	**(19)**	77
Share-based payments (Note 17)	**46**	68
Government abandonment grant in-kind (Note 14)	**(10)**	-
Abandonment expenditures (Note 14)	**(252)**	(243)
Change in non-cash working capital (Note 25)	**(240)**	(670)
Cash from operating activities	**5,123**	4,979
INVESTING		
Subsidiary cash disposed (Note 5)	**(1,100)**	-
Additions to property, plant and equipment (Note 6)	**(1,916)**	(2,841)
Proceeds from the sale of property, plant and equipment less costs to sell (Note 6)	**13**	1,337
Change in non-cash working capital (Note 25)	**(1,321)**	1,855
Cash (used in) from investing activities	**(4,324)**	351
FINANCING		
Proceeds from operating loan (Note 8)	**2,600**	-
Repayment of operating loan (Note 8)	**(2,600)**	-
Repayment of long-term debt (Note 9)	**(5,596)**	(779)
Long-term debt transaction costs (Note 9)	**-**	(15)
Repayment of loan payable (Note 10)	**(40)**	-
Repayment of lease liabilities (Note 12)	**(102)**	(116)
Change in non-cash working capital (Note 25)	**(7)**	(211)
Cash used in financing activities	**(5,745)**	(1,121)
Foreign exchange (loss) gain on cash held in foreign currency	**(53)**	286
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(4,999)**	4,495
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**6,809**	2,314
CASH AND CASH EQUIVALENTS, END OF YEAR	**1,810**	6,809

The accompanying notes are an integral part of the consolidated financial statements.

1. CORPORATE INFORMATION

White Owl Energy Services Inc. ("White Owl") was incorporated under the Business Corporations Act of the province of Alberta on September 26, 2013 (together with its subsidiaries, the "Company"). White Owl Energy Services, Inc. ("White Owl (US)") was incorporated under the laws of the state of North Dakota on September 24, 2013. On November 1, 2013, White Owl acquired all the issued and outstanding shares of White Owl (US) by a share purchase agreement. White Owl Energy Services Ltd. ("White Owl Ltd.") was incorporated under the Business Corporations Act of the province of Alberta on February 3, 2015 and was a wholly owned subsidiary of White Owl until May 24, 2023 (see Note 5).

The Company is headquartered in Calgary, Alberta and is actively involved in the collection, processing, and disposal of oilfield waste in North Dakota. The Company's registered office is 1150, 1122 – 4th Street SW, Calgary, AB T2R 1M1.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 25, 2024.

3. MATERIAL ACCOUNTING POLICIES

Basis of measurement

The consolidated financial statements have been prepared using historical costs and fair value of certain items, as detailed in the accounting policies set out in this note.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, which are the entities over which the Company has control. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intercompany transactions and balances are eliminated on consolidation.

Functional and presentation currency

Each of the Company's subsidiaries is measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company's US subsidiaries is US dollars and former Canadian subsidiary is Canadian dollars (see Note 5). The consolidated financial statements are presented in Canadian dollars, which is the functional currency of White Owl.

For the US subsidiaries whose functional currency is not the Canadian dollar, the Company translates assets and liabilities at period-end exchange rates and income and expense accounts at average exchange rates. Adjustments resulting from these translations are reflected in the consolidated statement of comprehensive income as exchange gain (loss) on translating foreign operations.

Transactions in currencies other than the Company's functional currency are translated at exchange rates in effect at the time of the transaction. Foreign currency monetary assets and liabilities are translated at period-end exchange rates. Gains or losses from the changes in exchange rates are recognized in the consolidated statement of comprehensive income in the period of occurrence as foreign exchange gains (losses).

Use of judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Such estimates relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts as transactions are settled in the future. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are applied prospectively.

The following are the critical judgments that management made in applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- Determining whether operations meet the definition of a discontinued operation;
- Determining the aggregation of assets into cash generating units ("CGUs");
- Determining whether indicators of impairment exist for property, plant and equipment and intangible assets; and
- Determining the existence of contingent liabilities or whether an outflow of resources is probable and needs to be accounted for as a provision.

The following are the critical estimates and assumptions with the most significant effect on amounts recognized in the consolidated financial statements. They are discussed further in the accounting policies that follow.

- Recoverability of asset carrying values for impairment testing purposes;
- Determining key assumptions for impairment testing of property, plant and equipment and intangible assets;
- Determining the consideration given and allocation of the purchase price to the fair value of the assets acquired and liabilities assumed in business combinations;
- Fair value determination of share-based payments;
- Determining the useful lives of property, plant and equipment and intangible assets; and
- Determining the amount, timing and inflation of decommissioning liabilities.

Discontinued operation

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal, when the operation meets the criteria to be classified as held-for-sale or when the operation is abandoned.

When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Cash and cash equivalents

Cash equivalents include guaranteed investments with a maturity of one year or less.

Revenue recognition

Revenues are recognized when the Company satisfies its performance obligations by transferring control of goods or services to its customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. As the Company performs direct services under the contract, it does not have any remaining performance obligations to its customers for those services. As a result, revenue contracts allow for revenue recognition at the time and amount to which it has a "right to invoice" the customer.

Share-based payments

The Company has a share-based option incentive plan (the "Option Plan"). Under the Option Plan, the Company may grant to directors, officers and employees of the Company or any of its affiliates, rights to acquire up to 10% of the issued and outstanding cumulative total of the common and preferred shares of the Company. The Option Plan is equity settled. The fair value of options at the date of grant is calculated using the Black-Scholes option pricing model method with the share-based payment expense recognized over the vesting period of the option and a corresponding increase to contributed surplus. When options are exercised, the proceeds, together with the amount recorded in contributed surplus, are transferred to share capital. Forfeitures are estimated and accounted for at the grant date and adjusted, if necessary, in subsequent periods.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the consolidated statement of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Company's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost; and, (2) fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI").

The Company has made the following classifications:

- FVTPL: Financial instruments under this classification include cash and cash equivalents; and
- Amortized cost: Financial instruments under this classification included trade and other receivables, promissory note receivable, deposits, promissory note payable, operating loan, trade and other payables, loans payable, long-term debt, lease liabilities and deferred consideration.

Transaction costs related to financial instruments classified as FVTPL are expensed as incurred. All other transaction costs related to financial instruments are recorded as part of the instrument and are amortized using the effective interest method.

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1: Values based on quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measure in its entirety.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve months of expected credit losses.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in comprehensive income (loss). The asset, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

Derivative instruments and hedging activities

All derivative instruments are recorded on the consolidated statement of financial position at fair value unless they qualify for and are designated under a normal purchase and normal sales exemption or are considered to meet other permitted exemptions.

The Company applies hedge accounting to arrangements that qualify and are designated for hedge accounting treatment, which includes hedges of foreign currency exposures of net investments in foreign operations. Hedge accounting is discontinued prospectively if the hedging relationship ceases to be effective or the hedging or hedged items cease to exist as a result of maturity, expiry, sale, termination, cancellation or exercise.

In hedging, the foreign currency exposure of a net investment in a foreign operation, the effective portion of foreign exchange gains and losses on the hedging instruments is recognized in OCI and the ineffective portion is recognized in net income (loss). The amounts recognized previously in accumulated other comprehensive income (loss) are reclassified to net income (loss) in the event the Company reduces its net investment in a foreign operation.

In some cases, derivatives do not meet the specific criteria for hedge accounting treatment. In these instances, the changes in fair value are recorded in the consolidated statement of comprehensive income in the period of change.

Derivatives embedded in other financial instruments or contracts (host instrument) are recorded as separate derivatives. Embedded derivatives are measured at fair value if their economic characteristics are not clearly and closely related to those of the host instrument, their terms are the same as those of a stand-alone derivative and the total contract is not held for trading or accounted for at fair value. When changes in the fair value of embedded derivatives are measured separately, they are included in the consolidated statement of comprehensive income.

Joint operations

A portion of the Company's petroleum and natural gas exploration and production activities are conducted jointly with others, and, accordingly, these consolidated financial statements reflect only the Company's proportionate interest in such activities.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, depletion and any recognized impairment losses.

Depreciation is based on a straight-line basis and is calculated over the estimated useful life of the assets, which has been estimated at 15-20 years for disposal wells, plant infrastructure and equipment. The expected useful lives of property, plant and equipment are reviewed annually to ensure that they remain appropriate. Changes in useful lives are accounted for prospectively as a change in estimate.

The net carrying value of oil and gas properties plus future development costs are depleted using the unit of production method based on proved and probable reserves, as determined by independent reserve evaluators.

Intangibles

Intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis.

Impairment of non-financial assets

The carrying values of the Company’s assets or CGUs are reviewed at each reporting date to determine whether there is an indication of impairment loss. If any such indication exists, the Company will prepare an impairment test. For the purpose of impairment testing, goodwill is allocated to CGUs expected to benefit from the business combination in which the goodwill arose. To the extent that the carrying amount of a CGU exceeds its recoverable amount, the excess would first reduce the carrying value of goodwill and any remainder would reduce the carrying values of the long-term assets of the CGUs on a pro-rated basis.

Impairment testing compares the carrying values of the assets or CGUs being tested with their recoverable amounts (recoverable amounts being the greater of the assets’ or CGUs’ value-in-use or their fair values less costs of disposal). Value-in-use is assessed using the present value of the expected future cash flows of the relevant asset. When it is not possible to estimate the recoverable amount of an individual asset, the asset is tested as part of a CGU, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The key assumptions for the value-in-use calculation include discount and growth rate estimates of the risks associated with the projected cash flows, based on the best information available as of the date of the impairment test. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs.

Impairment losses are immediately recognized to the extent that the asset or CGU carrying values exceed their recoverable amounts. Should the recoverable amounts for previously impaired assets or CGUs subsequently increase, the impairment losses previously recognized (other than in respect of goodwill) may be reversed to the extent that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment losses had been previously recognized.

At December 31, 2023, the Company has six salt water disposal facility CGUs in North Dakota (December 31, 2022 – six salt water disposal facility CGUs and one CGU for Alberta properties).

Deferred consideration

Deferred consideration is generated when a sale of a royalty interest linked to revenue at a specific facility occurs. Proceeds for sale of a royalty interest are an upfront payment received for future salt water disposal services that will generate future royalties. The estimated future salt water disposal revenues from the facility are multiplied by the royalty rate to derive the upfront payment received, which is accounted for as deferred consideration and recognized as an offset to royalty expense over the life of the facility.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of that obligation.

Decommissioning liabilities

The Company provides for estimated future decommissioning costs for all of its facilities and oil and gas properties based on the useful lives of the assets and the long-term commitments of certain sites. Over this period, the Company recognizes the liability for the future decommissioning liabilities associated with property, plant and equipment. These obligations are initially measured at the discounted future value of the liability. This value is capitalized as part of the cost of the related asset and amortized over the asset's useful life. The balance of the liability is adjusted each period for the unwinding of the discount, with the associated expense included within finance costs as accretion expense. Decommissioning costs and timing are estimated by management, in consultation with the Company's engineers and environmental, health and safety staff, on the basis of current regulations, costs, technology and industry standards. Other key estimates include discount and inflation rates. Actual decommissioning costs are charged against the provision as incurred.

Taxes

Tax expense is comprised of current and deferred tax. Tax expense is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized in OCI or directly in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded, using the asset and liability method, on temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred tax is not recorded on taxable temporary differences arising on the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Government grants

Government grants are assistance by the government in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operations of the Company. Grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants are received. If a grant is received before it is certain whether compliance with all conditions will be achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the conditions of a grant related to income or expense, the grant is recognized in comprehensive income (loss) on a systematic basis in the periods the Company recognizes the expenses which the grant is intended to compensate. Where government grants are provided in the form of a forgivable loan, proceeds are recorded as a financial liability and not recognized as a reduction of the cost of the related expenditures incurred. Upon reasonable assurance that forgiveness has been obtained, the Company will derecognize the portion of the loan forgiven and record a gain on loan payable forgiveness in the consolidated statement of comprehensive income.

Share capital

Common shares and preferred shares are classified as equity. Incremental costs directly attributable to the issue of common and preferred shares are recognized as a deduction from equity.

4. FUTURE ACCOUNTING PRONOUNCEMENTS

The Company plans to adopt the following amendments to accounting standards, issued by the IASB, that are effective for annual periods beginning on or after January 1, 2024. The pronouncements will be adopted on their respective effective dates; however, each is not expected to have a material impact on the consolidated financial statements.

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements "IAS 1", to clarify its requirements for the presentation of liabilities as current or non-current in the statement of financial position. This will be effective on January 1, 2024.

In October 2022, the IASB issued amendments to IAS 1, which specify the classification and disclosure of a liability with covenants. This will be effective on January 1, 2024.

5. DISCONTINUED OPERATION

On October 14, 2022, the Company closed the disposition of the Clairmont terminal assets and associated liabilities for $1,400,000 ($1,250,000 net of costs), prior to closing adjustments. The disposition consisted of Clairmont terminal property, plant and equipment and associated decommissioning liabilities and surface lease liabilities. Effective November 21, 2022, for accounting purposes, the Clairmont CGU, which consists of the remaining oil and gas properties held by the wholly owned subsidiary White Owl Energy Services Ltd., is considered a discontinued operation.

The following tables summarize financial information related to the Clairmont CGU discontinued operation.

Net income (loss) from discontinued operation

($000's)	**December 31, 2023**	December 31, 2022
Revenue (Note 18)	**-**	811
Expenses		
Operating costs	**30**	1,353
General and administrative	**3**	38
Depreciation (Note 6)	**31**	25
Impairment (Note 6)	**-**	1,343
Finance costs (Note 19)	**10**	71
Gain on disposal of property plant and equipment - net (Note 6)	**-**	(1,401)
Loss on abandonment (Note 14)	**-**	111
Government abandonment grant in-kind (Note 14)	**(10)**	-
	64	1,540
Gain on disposition of subsidiary	**566**	-
Net income (loss) from discontinued operation	**502**	(729)

Change in cash and cash equivalents from discontinued operation

($000's)	**December 31, 2023**	December 31, 2022
Cash flow used in operating activities	**(529)**	(855)
Cash flow from investing activities	**-**	1,035
Cash flow from financing activities	**9**	9
Net (decrease) increase in cash and cash equivalents from discontinued operation	**(520)**	189

The net income (loss) from discontinued operation and net income from continuing operations is attributable entirely to the owners of the Company.

Effective May 24, 2023, the Company disposed of its wholly owned subsidiary White Owl Energy Services Ltd. for nominal cash consideration of $10. 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 White Owl. As of May 24, 2023 and December 31, 2023, the Company has not recorded a contingent asset with regard to the 1,000,000 resulting issuer shares as the outcome is uncertain. This subsidiary held the remaining oil and gas properties at Clairmont. The disposition included cash and cash equivalents, deposits, trade and other receivables, oil and gas property, plant and equipment and the assumption of trade and other payables, promissory note, surface lease liabilities and all decommissioning liabilities associated with the Clairmont oil and gas assets.

Effect of the disposition of subsidiary on the financial position of the Company

($000's)	
Consideration:	
Cash	**-**
Net assets and liabilities disposed:	
Cash	**1,100**
Trade and other receivables	**123**
Deposits and prepaid expenses	**1,296**
Trade and other payables	**(70)**
Promissory note	**(362)**
Lease liabilities	**(56)**
Decommissioning liabilities	**(2,597)**
Net assets and liabilities	**(566)**
Gain on disposition of subsidiary	**(566)**

6. PROPERTY, PLANT AND EQUIPMENT

COST

($000's)	Land	Right-of-use assets	Plant & equipment	Disposal wells	Oil and gas properties	Total
Balance at December 31, 2021	699	546	32,575	7,447	803	42,070
Additions	17	209	565	2,259	-	3,050
Dispositions	-	(82)	(7,010)	(513)	(16)	(7,621)
Change in decommissioning costs (Note 14)	-	-	(779)	128	1,063	412
Foreign exchange effect	48	17	1,670	508	-	2,243
Balance at December 31, 2022	764	690	27,021	9,829	1,850	40,154
Additions	**-**	**49**	**1,877**	**39**	**-**	**1,965**
Dispositions	**-**	**(88)**	**(283)**	**-**	**(1,859)**	**(2,230)**
Change in decommissioning costs (Note 14)	**-**	**-**	**36**	**(18)**	**9**	**27**
Foreign exchange effect	**(18)**	**(9)**	**(668)**	**(225)**	**-**	**(920)**
Balance at December 31, 2023	**746**	**642**	**27,983**	**9,625**	**-**	**38,996**

ACCUMULATED DEPRECIATION AND IMPAIRMENT

($000's)	Land	Right-of-use assets	Plant & Equipment	Disposal Wells	Oil and gas properties	Total
Balance at December 31, 2021	(146)	(470)	(14,084)	(4,400)	(354)	(19,454)
Depreciation	-	(89)	(1,285)	(399)	-	(1,773)
Dispositions	-	82	6,245	52	9	6,388
Impairment – Canadian assets	-	-	162	-	(1,505)	(1,343)
Foreign exchange effect	(10)	(13)	(557)	(300)	-	(880)
Balance at December 31, 2022	(156)	(490)	(9,519)	(5,047)	(1,850)	(17,062)
Depreciation	**-**	**(94)**	**(1,428)**	**(479)**	**(9)**	**(2,010)**
Dispositions	**-**	**88**	**286**	**-**	**1,859**	**2,233**
Impairment – US assets	**(1)**	**-**	**(469)**	**-**	**-**	**(470)**
Foreign exchange effect	**2**	**7**	**249**	**125**	**-**	**383**
Balance at December 31, 2023	**(155)**	**(489)**	**(10,881)**	**(5,401)**	**-**	**(16,926)**

CARRYING AMOUNTS

($000's)	Land	Right-of-use asset	Plant & equipment	Disposal wells	Oil and gas properties	Total
Balance at December 31, 2022	608	200	17,502	4,782	-	23,092
Balance at December 31, 2023	**591**	**153**	**17,102**	**4,224**	**-**	**22,070**

Dispositions

On October 14, 2022, the Company closed the disposition of the Clairmont terminal assets and associated liabilities for $1,400,000 ($1,250,000 net of costs), prior to closing adjustments. The disposition consisted of Clairmont terminal property, plant and equipment and associated decommissioning liabilities and surface lease liabilities. The disposition resulted in a gain of $1,387,621 recognized in comprehensive income.

During the year ended December 31, 2023, the Company disposed of property, plant and equipment for cash consideration of $13,251 (2022 - $87,015). The dispositions resulted in a gain of $15,493 (2022 - $7,149) recognized in comprehensive income.

Impairment

December 31, 2023

At December 31, 2023, White Owl evaluated its property, plant and equipment for indicators or any potential impairment or related reversal. The Company completed an impairment test on certain potential future business development properties as management now does not plan to pursue or develop these properties. The recoverability of these assets were assessed at $nil. As a result of the impairment test performed, the Company recognized an impairment expense of $470,406 against land 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.

December 31, 2022

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 had planned to abandon all of the remaining oil and gas wells at the Clairmont CGU in 2023. The recoverability of these assets were assessed at $nil as they were to be abandoned and reclaimed in the years 2023 to 2025 and 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.

7. INTANGIBLE ASSETS

($000's)	
Balance at December 31, 2021	180
Amortization	(62)
Foreign exchange effect	11
Balance at December 31, 2022	129
Amortization	**(64)**
Foreign exchange effect	**(2)**
Balance at December 31, 2023	**63**

On January 1, 2020, White Owl acquired an additional 15% interest in the Tioga Joint Venture. As part of the acquisition the Company allocated $308,082 to intangible assets for customer relationships in the Tioga Joint Venture. The intangible assets will be amortized over five years.

(All figures expressed in Canadian dollars unless otherwise noted)

8. 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 December 31, 2023, the Company's borrowing limit under the operating loan was US$1,000,000 (December 31, 2022 - US$1,000,000). The Company had drawn $nil on the operating loan at December 31, 2023 (December 31, 2022 – $nil).

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

- Quarterly trailing 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, 2023
Cash Flow Coverage Ratio	**7.37**
Debt to Tangible Net Worth Ratio	**0.57**
Current Ratio	**1.00**

As at December 31, 2023, the Company was compliant with the Cash Flow Coverage Ratio and the Debt to Tangible Net Worth Ratio financial covenants. During the twelve months ended December 31, 2023, the Company used its excess cash and cash equivalents to make additional principal prepayments on long-term debt as part of a de-leveraging strategy (see Note 9). As a result, the Current Ratio financial covenant is 1.00 as at December 31, 2023, which is below the lender's requirement of 1.25. As at December 31, 2023, the lender acknowledges early receipt of notice provided by the Company and requires the Company to return to compliance by April 5, 2024. The Company is compliant with all other covenants provided for in the operating loan agreement.

9. LONG-TERM DEBT

On October 14, 2021, the Company entered into an agreement with a new senior lender ("loan agreement") for a US$7,700,000 loan to facilitate the repayment of the term loan due on or before December 31, 2021 to its previous lender and for working capital growth. In December 2021, the Company received the full amount of $9,868,320 (US$7,700,000) to repay the term loan. The new long-term debt matures September 1, 2028 and bears interest on the outstanding principal balance, payable monthly, at the US dollar floating base rate plus 1.50%. Effective March 7, 2022, the interest on the outstanding principal balance was adjusted by the Company for one year to the US dollar fixed interest rate plus 1.50%. A one-time principal payment of US$107,260 was due October 1, 2022, with subsequent monthly principal payments of US$106,940 due until maturity. Commencing April 2023, additional annual principal payments will be required for 50% of excess cash flow ("ECF") realized by the Company 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 consolidated financial results for the year ended December 31, 2023, no additional annual principal payment is payable by the Company on April 1, 2024. An additional annual principal payment equal to the maximum of US$500,000 was paid by the Company on April 1, 2023. 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.

During the year ended December 31, 2023, the Company used its excess cash and cash equivalents to make additional principal prepayments on long-term debt as part of a de-leveraging strategy. As a result, the Company made total principal payments of $5,596,344 (US$4,165,322) for the year ended December 31, 2023, comprising $2,407,775 (US$1,783,280) of scheduled principal payments and $3,188,569 (US$2,382,042) of principal prepayments in accordance with the loan agreement. The additional principal payments resulted in the Company's operating loan Current Ratio financial covenant being less than the minimum requirement as at December 31, 2023, which allows the senior lender to demand full repayment of the outstanding principal (See Note 8). However, as at December 31, 2023, the senior lender has agreed to waive the full repayment of the outstanding principal to just the monthly principal payments required under the loan agreement of US$106,940 for a total of US$1,283,280 for the twelve months ended December 31, 2024.

($000's)	
Balance at December 31, 2021	9,229
Principal payments	(779)
Transaction costs	(15)
Accretion of transaction costs	137
Foreign exchange effect	672
Balance at December 31, 2022	9,244
Principal payments	**(5,596)**
Accretion of transaction costs	**167**
Foreign exchange effect	**(140)**
Balance at December 31, 2023	**3,675**
Less current portion	(1,533)
Total non-current portion	2,142

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

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

As at December 31, 2023, except as noted above, the Company was compliant with all covenants provided for in the loan agreement.

10. LOANS PAYABLE

($000's)	**PPP loan**	**CEBA loan**	**Total**
Balance at December 31, 2021	511	60	571
Accrued interest	1	-	1
Forgiveness	(511)	-	(511)
Foreign exchange effect	(1)	-	(1)
Balance at December 31, 2022	-	60	60
Principal payment	**-**	**(40)**	**(40)**
Forgiveness	**-**	**(20)**	**(20)**
Balance at December 31, 2023	**-**	**-**	**-**

Paycheck Protection Program Loan ("PPP loan")

On May 6, 2021, the Company received a PPP loan of $488,321 (US$400,263) that bears interest at 1% per annum. The PPP loan is forgivable if the Company incurs applicable costs over the 24-week period ending October 30, 2021 for payroll, interest on mortgages, rent and utility payments. As at October 30, 2021, the Company incurred the applicable costs, filed the required paperwork and the PPP loan was forgiven on March 18, 2022. Upon forgiveness in March 2022, the Company derecognized the carrying value of the PPP loan with an offset to gain on loan payable forgiveness in comprehensive income.

Canadian Emergency Business Account Loan ("CEBA loan")

The Company had a non-interest-bearing CEBA loan of $60,000 that matured December 31, 2023. Repaying the balance of the loan on or before December 31, 2023, would result in loan forgiveness of 33.3% (up to $20,000). On September 12, 2023, the Company repaid $40,000 of the CEBA loan and received loan forgiveness of $20,000. Upon forgiveness on September 12, 2023, the Company derecognized the carrying value of the CEBA loan with an offset to gain on loan payable forgiveness in comprehensive income.

11. PROMISSORY NOTE

($000's)	
Balance at December 31, 2021	329
Accrued interest	24
Balance at December 31, 2022	353
Accrued interest	**9**
Disposed (Note 5)	**(362)**
Balance at December 31, 2023	**-**

Effective May 24, 2023, the Company disposed of its wholly owned subsidiary White Owl Energy Services Ltd. for nominal cash consideration of $10 (see Note 5). The disposition included the $240,000 promissory note and accrued interest of $122,466 payable to White Owl Ltd.'s former 5% partner in the Clairmont facility.

12. LEASE LIABILITIES

($000's)	
Balance at December 31, 2021	216
Recognized	74
Modification	135
Principal payments	(116)
Disposed (Note 5&6)	(68)
Interest expense	14
Foreign exchange effect	4
Balance at December 31, 2022	259
Recognized	**49**
Principal payments	**(102)**
Disposed (Note 5)	**(56)**
Interest expense	**16**
Foreign exchange effect	**(2)**
Balance at December 31, 2023	**164**
Less current portion	(119)
Total non-current portion	45

The lease liabilities are payable as follows:

($000's)	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	129	10	119
Between one and five years	47	2	45
Five years and greater	-	-	-
Balance at December 31, 2023	**176**	**12**	**164**

During the year ended December 31, 2023, the Company recognized $16,115 (2022 - $13,659) of interest expense from lease liabilities.

Depreciation expense recorded on right-of-use assets related to lease liabilities is as follows:

($000's)	**December 31, 2023**	December 31, 2022
Equipment	**21**	24
Office leases	**73**	65
Total depreciation expense – right-of-use assets	**94**	89

13. DEFERRED CONSIDERATION

In January 2019, the Company sold a nine percent royalty interest for $1,795,635 (US$1,350,000) of the salt water disposal revenue from the Company's Watford facility effective February 1, 2019. The Company has accounted for the royalty interest sale as deferred consideration. Deferred consideration is generated when a sale of a royalty interest linked to revenue at a specific facility occurs. Proceeds for sale of a royalty interest are an upfront payment received for future salt water disposal services that will generate future royalties. The estimated future salt water disposal revenues from the facility are multiplied by the royalty rate of 9% per annum to derive the upfront payment received, which is accounted for as deferred consideration and recognized as an offset to royalty expense over the life of the facility.

($000's)	
Balance at December 31, 2021	1,398
Recognized	(110)
Foreign exchange effect	91
Balance at December 31, 2022	1,379
Recognized	**(114)**
Foreign exchange effect	**(31)**
Balance at December 31, 2023	**1,234**
Less current portion	(112)
Total non-current portion	1,122

14. DECOMMISSIONING LIABILITIES

($000's)	
Balance at December 31, 2021	4,909
Accretion	105
Incurred	33
Change in estimate	379
Disposed (Note 5&6)	(1,223)
Abandonment	(167)
Foreign exchange effect	70
Balance at December 31, 2022	4,106
Accretion	**98**
Change in estimate	**17**
Disposed (Note 5)	**(2,597)**
Abandonment	**(271)**
Foreign exchange effect	**(34)**
Balance at December 31, 2023	**1,319**
Less current portion	(10)
Total non-current portion	1,309

The Company's decommissioning liabilities were estimated by management based on the Company's estimated costs to remediate, reclaim and abandon the Company's facilities and estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of its decommissioning obligations at December 31, 2023 based on a total undiscounted future liability of $2,538,727 (December 31, 2022 – $5,583,800). These costs are expected to be incurred in approximately one to 16 years (December 31, 2022 – one to 17 years). The Company used a risk-free interest rate at December 31, 2023 of 4.20% (December 31, 2022 – range of 4.06% to 4.14%) and an inflation rate of 2.00% (December 31, 2022 – 2.00%) to calculate the net present value of its decommissioning liabilities.

During the year ended December 31, 2023, the Company incurred $252,292 (2022 - $243,246) of abandonment costs to derecognize $271,178 (2022 - $166,622) of decommissioning liabilities. The Company recorded a gain on abandonment of $18,887 (2022 – $76,624 loss) in comprehensive income for the year ended December 31, 2023.

The Government of Alberta's Site Rehabilitation Program ("SRP") provides grant funding through service providers to abandon or remediate oil and gas sites. For the year ended December 31, 2023, the Company recognized $10,000 (2022 - $nil) for SRP grants for prior period decommissioning liability activities completed. The benefit of the in-kind grant is recognized in comprehensive income.

15. TAXES

The components of the Company's net tax expense which has been recorded in these consolidated financial statements are as follows:

($000's)	**December 31, 2023**	December 31, 2022
Net income before income taxes	**3,313**	4,088
Net income (loss) from discontinued operation	**502**	(729)
	3,815	3,359
Statutory income tax rate	**23%**	23%
Recovery at statutory rate	**877**	773
Tax rate differential between Canada and United States	**57**	83
Non-deductible share-based payments	**11**	16
Gain on loan payable forgiveness	**-**	(125)
Other	**256**	80
Change in deferred tax asset not recognized	**(1,201)**	(827)
Current income tax expense – state taxes	**8**	3
Total	**8**	3

Details of deferred tax assets (liabilities) are as follows:

($000's)	**December 31, 2023**	December 31, 2022
Property, plant and equipment	**(4,596)**	(4,634)
Investment in Tioga Joint Venture and Epping	**(196)**	(120)
Non-capital loss carry forwards	**4,792**	4,754
	-	-

Details of the unrecognized deductible temporary differences are as follows:

($000's)	**December 31, 2023**	December 31, 2022
Share issue costs	**-**	8
Other	**101**	4,197
Capital loss carry forwards	**9,585**	-
Non-capital loss carry forwards	**18,744**	30,357
Unrecognized deductible temporary differences	**28,430**	34,562

At December 31, 2023, the Company has estimated non-capital losses carry forwards in the United States of $15,337,437 (December 31, 2022 - $18,552,946) and in Canada of $13,684,748 (December 31, 2022 - $21,060,753) which, if not utilized, will expire between 2033 and 2043, respectively. In addition, the Company has non-expiring capital losses in Canada of $9,584,866 (December 31, 2022 - $nil) that may be used against capital gains realized in the future.

16. SHARE CAPITAL

Authorized

An unlimited number of common and preferred shares without nominal or par value.

Issued

($000's)	**December 31, 2023**	December 31, 2022
Common shares	**21,118**	21,118
Preferred shares	**12,353**	12,353
	33,471	33,471

COMMON SHARES

	Number (000's)	**Amount ($000's)**
Balance at December 31, 2021, December 31, 2022 and December 31, 2023	**65,633**	**21,118**

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

PREFERRED SHARES

	Number (000's)	**Amount ($000's)**
Balance at December 31, 2021, December 31, 2022 and December 31, 2023	**26,469**	**12,353**

The Senior Preferred Class A Voting Shares are convertible into common shares of the Company, at the option of the holder, on a one to one basis, and rank ahead of common shares on liquidation, dissolution or winding up of the Company at par value.

17. SHARE-BASED PAYMENTS

The Company has established an Option Plan pursuant to which shares are available for the granting of incentive stock options. Pursuant to the Option Plan, the exercise price of an option cannot be less than the current market price of shares at the date of issuing the option. Options generally vest over a three-year period and are generally issued for a maximum term of five years from date of grant.

	Number of options (000's)	**Weighted average exercise price ($)**
Balance at December 31, 2021	4,904	0.06
Granted	2,370	0.05
Forfeited	(225)	0.05
Expired	(200)	0.30
Balance at December 31, 2022	6,849	0.05
Forfeited	**(216)**	**0.05**
Balance at December 31, 2023	**6,633**	**0.05**

The following table summarizes information about options outstanding at December 31, 2023:

Options outstanding			Options exercisable	
Weighted average exercise price $	Number of options (000's)	Weighted average contractual life remaining (years)	Number of options (000's)	Weighted average exercise price $
0.05	6,633	1.82	5,220	0.05

The Company records share-based payments over the vesting period based on the fair value of options granted to employees and directors. The value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The model assumptions for the options issued are as follows:

	2022
Risk-free interest rate	2.84%
Expected life of options	5 years
Expected volatility	100%
Expected dividend rate	0%
Expected forfeiture rate	2.85%
Weighted average fair value	$0.04

The risk-fee interest rate is based on the Government of Canada bond yields for five-year terms. Expected volatility is based on the historical volatility of the Company's shares. Expected forfeiture rate is based on the historical forfeiture rate of the Company's stock options.

During the year ended December 31, 2023, $46,024 (2022 - $67,518) in share-based payment expense related to equity-settled stock options has been recognized in comprehensive income.

18. REVENUE

Revenue associated with services provided such as disposal, oil treating, terminalling and blending are recognized when the services are rendered. Revenue from the sale of crude oil is recorded when title and risk of loss transfers to the customer.

	Continuing operations December 31,		**Discontinued operation (Note 5) December 31,**		**Total December 31,**	
($000's)	**2023**	2022	**2023**	2022	**2023**	2022
Recovered oil sales	**7,510**	7,474	**-**	-	**7,510**	7,474
Water disposal and processing services	**12,314**	8,295	**-**	811	**12,314**	9,106
Other revenue	**438**	467	**-**	-	**438**	467
Total revenue	**20,262**	16,236	**-**	811	**20,262**	17,047

19. FINANCE COSTS

($000's)	Continuing operations December 31, 2023	Continuing operations December 31, 2022	Discontinued operation (Note 5) December 31, 2023	Discontinued operation (Note 5) December 31, 2022	Total December 31, 2023	Total December 31, 2022
Interest on long-term debt	**725**	682	**-**	-	**725**	682
Interest on promissory note and loans payable	**-**	1	**9**	24	**9**	25
Interest on lease liabilities (Note 12)	**14**	6	**2**	8	**16**	14
Accretion of decommissioning obligations (Note 14)	**54**	36	**44**	69	**98**	105
Accretion of transaction costs (Note 9)	**167**	137	**-**	-	**167**	137
Interest (income) expense, bank charges and other	**90**	27	**(45)**	(30)	**45**	(3)
Total finance costs	**1,050**	889	**10**	71	**1,060**	960

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Net investment in foreign operations

The Company hedges its net investment in foreign operations with US dollar denominated debt that has a carrying value excluding unamortized transaction costs of $3,919,575 (US$2,963,538) at December 31, 2023 (December 31, 2022 - $9,655,328 (US$7,128,860)). No hedge ineffectiveness was recognized during the year ended December 31, 2023 and 2022.

Financial instruments and risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign currency risk, interest rate risk and commodity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by senior management.

Fair values

The Company's financial instruments recognized on the consolidated statement of financial position consist of cash and cash equivalents, trade and other receivables, promissory note receivable, deposits, promissory note payable, operating loan, trade and other payables, loans payable, long-term debt, lease liabilities and deferred consideration. The fair values of the cash and cash equivalents, trade and other receivables, promissory note receivable, deposits, operating loan and trade and other payables approximate their carrying value due to the short-term or demand nature of these instruments. Loans payable, promissory note payable, long-term debt, lease liabilities and deferred consideration are carried at amortized cost.

The Company has classified its financial instrument fair values based on the required three level hierarchies:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities;
- Level 2: Valuations based on observable inputs other than quoted active market prices; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flows methods.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The Company records cash and cash equivalents at fair value using level 1 inputs. There were no transfers from levels 1, 2 and 3 during the year.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets at the reporting date. A substantial portion of the Company's trade and other receivables balance is with customers in the petroleum industry and is subject to normal industry credit risks.

The Company manages its exposure to credit risk through standard credit granting procedures and short payment terms. The Company attempts to monitor financial conditions of its customers and the industries in which they operate. The Company derived significant revenue from two major customers, which exceeded 10% of revenue for the year ended December 31, 2023 (2022 – two customers). The customers accounted for 37% and 12% of revenue for the year ended December 31, 2023 respectively (2022 – 44% and 11%). At December 31, 2023, 17% and 18% of trade and other receivables were receivable from these customers respectively (December 31, 2022 – 19% and 13%). The Company's maximum exposure to credit risk at December 31, 2023 was the total of cash and cash equivalents, trade and other receivables and promissory note receivable of $5,197,591 (December 31, 2022 - $9,788,652). The Company believes that there is no unusual exposure associated with the collection of these trade and other receivables and promissory note receivable. As at December 31, 2023, the Company has an allowance for doubtful accounts of $nil (December 31, 2022 - $nil).

Pursuant to the White Owl Epping Joint Venture Agreement ("Epping Agreement") dated July 18, 2018, the Company as operator is responsible for the payment and discharge of all expenses of the joint venture and is entitled to be reimbursed for these expenses. Under the Epping Agreement, the Company will be reimbursed for all direct operating costs and will be paid an operating fee of 8% of the cost of operations and a fee of 3% of capital expenditures. As at December 31, 2023, trade and other receivables includes $51,122 (December 31, 2022 - $386,022) in amounts invoiced to the joint venture owners for their proportionate share of operating losses and capital expenditures of the facility, while trade and other payables includes $nil (December 31, 2022 - $57,652) in amounts payable for operating income and capital expenditures of the facility.

The aging of trade and other receivables is as follows:

($000's)	Current	30-60 days	60-90 days	90+days	Total
	1,746	1,077	280	262	3,365

Foreign currency risk

The Company generates revenue and expenses in US dollars and, therefore, fluctuations in the value of the Canadian dollar relative to the US dollar can affect the Company's comprehensive income (loss). Some of this foreign exchange impact is partially offset by interest expense on US dollar-denominated debt. The Company does not hedge its exposure to currency fluctuations other than the use of US dollar-denominated debt. As the Company's US dollar-denominated operations continue to grow, exposure to changes in currency rates will increase.

Interest rate risk

The Company has floating interest rate debt which subjects it to interest rate cash flow risk. The Company does not maintain an active hedge program to mitigate the Company's exposure to interest rate fluctuations. If interest rates had been 1% higher during the year, and all other variables were held constant, the Company's comprehensive income would be approximately $58,640 lower for the year ended December 31, 2023 (December 31, 2022 – comprehensive income $17,914 lower).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations at the point at which they are due. The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

The following are the contractual maturities of financial liabilities at December 31, 2023:

($000's)	**2024**	**2025**	**2026**	**2027**	**2028+**	**Total**
Trade and other payables	3,646	-	-	-	-	3,646
Long-term debt (1)	1,697	1,697	526	-	-	3,920
Lease liabilities	119	32	13	-	-	164
	5,462	1,729	539	-	-	7,730

(1) Reflects principal payments of US$2,963,538 converted to Canadian dollars at the December 31, 2023 year-end rate.

Commodity risk

The Company recovers and sells crude oil which subjects it to the commodity price of crude oil. The Company does not maintain an active hedge program to mitigate the Company's exposure to commodity price fluctuations.

21. CAPITAL MANAGEMENT

The Company's objective is to ensure adequate sources of capital are available to carry out its planned capital program, to achieve operational growth and increased cash flow so as to sustain future development of the business and to maintain shareholder confidence. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets. Management considers capital to be the Company's operating loan, loans payable, promissory note payable, lease liabilities, long-term debt and shareholders' equity as the components of capital to be managed. In order to maintain or adjust the capital structure, the Company may issue shares, raise debt and/or adjust its capital spending to manage its projected debt levels. There has been no change in how the Company manages its capital during the year.

The Company strives to manage its capital to meet the Company's objective and maintain compliance with the financial covenants contained within its debt facilities (see Note 8 & 9).

The Company's capital structure is as follows:

($000's)	**December 31, 2023**	December 31, 2022
Loans payable	**-**	60
Promissory note	**-**	353
Lease liabilities	**164**	259
Long-term debt	**3,675**	9,244
Total shareholders' equity	**17,538**	14,502
	21,377	24,418

22. RELATED PARTY TRANSACTIONS

At December 31, 2023, the Company has a $22,500 (December 31, 2022 - $22,500) promissory note receivable from an officer of the Company. The unsecured promissory note is due on demand and bears interest at 3% per annum.

At December 31, 2023, the Company has recorded $47,736 (December 31, 2022 - $25,201 amounts owing from) in amounts owing from the Tioga Joint Venture. These amounts have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties and is equal to fair value.

At December 31, 2023, certain management and directors own 1.04% (December 31, 2022 - 1.66%) of the Tioga SWD Facility and 5.54% (December 31, 2022 - 5.62%) of the Epping SWD Facility. These transactions with related parties have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Management and directors purchased these ownership interests at fair value.

The Company considers its directors and executives to be key management personnel. In addition to their salaries and director fees, the Company also provides non-cash benefits to key management personnel through participation in the Company's option program. The remuneration of key management personnel was as follows:

($000's)	**December 31, 2023**	December 31, 2022
Compensation and short-term benefits	**1,430**	1,164
Share-based payments	**35**	54
	1,465	1,218

Key management personnel of the Company controlled 11% of the outstanding voting shares of the Company at December 31, 2023 (December 31, 2022 – 11%).

23. COMMITMENTS AND CONTINGENCIES

Operating leases

The Company has entered into operating land lease agreements at the Company's facilities and operating leases for office space. The agreements require future minimum payments as follows:

($000's)	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Office lease	30	1	-	-	-	31
Land lease agreements [(1)]	206	206	206	206	206	1,030
	236	207	206	206	206	1,061

(1) Perpetual leases

Letters of Credit

At December 31, 2023, the Company had issued $34,000 (December 31, 2022 - $53,862) in letters of credit. The letters of credit relate to security for the Company's decommissioning liabilities and are held with regulatory bodies.

Contingencies

In the normal conduct of operations, there is a pending claim against the Company. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on information provided by its legal counsel, the final determination of this litigation will not materially affect the Company's consolidated financial position or results of its consolidated operations.

24. GOVERNMENT ASSISTANCE

The Government of Alberta's SRP provides grant funding through service providers to abandon or remediate oil and gas sites. For the year ended December 31, 2023, the Company recognized $10,000 (2022 - $nil) for SRP grants for prior period decommissioning liability activities completed. The benefit of the in-kind grant is recognized in comprehensive income.

25. CHANGES IN NON-CASH WORKING CAPITAL

($000's)	**December 31, 2023**	December 31, 2022
Trade and other receivables	**(596)**	(480)
Deposits and prepaid expenses	**(54)**	14
Trade and other payables	**(804)**	1,551
Deferred consideration	**(114)**	(111)
	(1,568)	974
Allocated to:		
Operating	**(240)**	(670)
Investing	**(1,321)**	1,855
Financing	**(7)**	(211)
	(1,568)	974