MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS

For the three and twelve months ended December 31, 2023

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

This MDFR is based on information available to March 25, 2024, and should be read in conjunction with White Owl's audited consolidated financial statements for the years ended December 31, 2023, and 2022. The financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards.

All amounts are stated in Canadian dollars unless otherwise noted.

FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2023, HIGHLIGHTS

Highlights for the three and twelve months ended December 31, 2023, are summarized as follows:

- Since December 31, 2022, the Corporation has reduced its bank loan by 58%, or $5,596,344 (US$4,165,322). During Q4 2023, White Owl, as part of its debt reduction strategy, reduced the US dollar denominated bank debt by $1,122,375 (US$820,820), resulting in an outstanding bank loan balance of $3,919,575 (US$2,963,538) as of December 31, 2023 (before transaction costs).
- The Corporation maintains a conservative total debt to EBITDA ratio which improved to 0.3:1.0 as at December 31, 2023 from 0.7:1.0 as at December 31, 2022.
- For the twelve months ended December 31, 2023, the Corporation's total liabilities have been significantly reduced to $10,038,000 at the end of the year from $19,991,000 at the beginning of the year.
- Q4 2023 EBITDA from continuing operations is $1,541,000, up 11% from $1,389,000 for Q4 2022, mainly due to higher fluid disposal and oil recovery volumes. For the twelve months ended December

31, 2023, EBITDA from continuing operations totaled $6,490,000, down 10% from $7,194,000 for 2022, as higher fluid disposal and oil recovery volumes were more than offset by lower oil prices and higher operating costs.

- For the three months ended December 31, 2023, total revenues increased 26% to $5,273,000 from $4,199,000 for Q4 2022, as fluid disposal volumes increased 32% to 41,807 barrels per day ("bpd") and oil volumes increased 28% to 21,267 barrels between the two quarters. Fluid disposal revenues increased 39% to $3,227,000 for Q4 2023 from $2,319,000 for Q4 2022, while oil sales revenue increased 14% to $1,923,000 for Q4 2023 from $1,688,000 for Q4 2022. The increase in oil volumes was partially offset by lower oil pricing (down 11%).

- For the year ended December 31, 2023, total revenues increased 25% to $20,262,000 from $16,236,000 for 2022. Fluid disposal volumes increased 35% to 41,127 bpd and recovered oil volumes increased 20% to 81,504 barrels year-over-year. Fluid disposal revenues increased 48% to $12,314,000 for 2023 from $8,295,000 for 2022 due to the 35% increase fluid disposal volumes. There was also a significant increase in Alexander Class 1 revenue to $1,042,000 for 2023 from $376,000 for 2022. Oil sales revenue remained relatively flat at $7,510,000 for 2023 versus $7,474,000 for 2022, as the 20% volume increase was offset by lower oil pricing.

- The average realized net oil price ("netback price") received for White Owl's recovered oil volumes for Q4 2023 decreased 11% to US$66.42 per barrel from US$74.63 per barrel for Q4 2022. For the twelve months ended December 31, 2023, the netback price decreased 19% to US$68.25 per barrel from US$84.70 per barrel for 2022. The negative North Dakota differential of US$1.78 per barrel impacted the netback price for Q4 2023. For Q4 2022, the North Dakota differential was a positive US$2.93 per barrel and improved the netback price.

- For the three and twelve months ended December 31, 2023, operating costs increased 42% and 68%, to $3,011,000 and $11,401,000 respectively, mainly due to higher disposal volumes along with increased tank cleanout and related solids disposal costs at all facilities. A well workover (a one-time event) at the New Town saltwater disposal ("SWD") and a return to full staffing levels at all sites to handle the increased disposal volumes also increased costs.

- The Corporation owns and operates a Class 1 non-hazardous wastewater disposal facility at Alexander, which underwent a significant improvement in operating and financial results in 2023. Disposal volumes at this site more than doubled to 140,748 barrels for the twelve months ended December 31, 2023, from 58,849 barrels for 2022. This increase in volumes combined with an increase in the average price for 2023 to US$5.49 per barrel from US$4.49 per barrel for 2022, resulted in a ten-fold increase in net operating income to $468,000 from $47,000, year-over-year.

- Net operating income for White Owl's 35% working interest in Epping more than doubled to $223,000 for 2023 from $97,000 for 2022. Following commissioning of the second Epping SWD disposal well and connecting pipeline in Q4 2022, fluid volumes at this site increased to average 10,005 bpd for the year ended December 31, 2023, from 5,600 bpd for 2022. Although recovered oil sales increased to 5,861 barrels (gross) for 2023 from 1,440 barrels (gross) for 2022, recovered oil volumes remain lower than experienced at the Corporation's other SWD locations.

- Capital expenditures for the three and twelve months ended December 31, 2023, totaled $904,000 and $1,916,000, respectively. Capital projects for the year include $1,121,000 at the New Town SWD facility (electrical upgrades, a de-sand tank, variable frequency drive and upgrades to the electrical infrastructure and stormwater ponds), $409,000 at the Ross SWD facility (de-sand tank and piping upgrades, rental pump installation and rural water connection) and $210,000 for spare parts and field vehicles.

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

($000's, unless otherwise noted)	Three months ended December 31, 2023	2022	%	Twelve months ended December 31, 2023	2022	%
Continuing operations						
North Dakota operations						
Disposal volumes (Bbls)	**3,754,256**	2,851,891	32%	**15,011,294**	11,120,732	35%
Recovered oil sales volumes (Bbls)	**21,267**	16,648	28%	**81,504**	67,949	20%
Disposal revenue ($ per Bbl)	**$0.86**	$0.81	6%	**$0.82**	$0.75	9%
Oil sales revenue ($ per Bbl)	**$90.45**	$101.40	-11%	**$92.14**	$109.99	-16%
Operating costs and royalties ($ per Bbl)	**$0.80**	$0.74	9%	**$0.76**	$0.61	25%
North Dakota disposal and services revenue						
Disposal revenue	**$3,227**	$2,319	39%	**$12,314**	$8,295	48%
Oil sales revenue	**1,923**	1,688	14%	**7,510**	7,474	0%
Other revenue	**123**	192	-36%	**438**	467	-6%
Total revenue – North Dakota continuing operations	**5,273**	4,199	26%	**20,262**	16,236	25%
Operating costs	**(3,011)**	(2,116)	42%	**(11,401)**	(6,806)	68%
Operating income(1) – North Dakota continuing operations	**$2,262**	$2,083	8%	**$8,861**	$9,430	-6%
General and administrative expenses ("G&A")	**(721)**	(694)	4%	**(2,371)**	(2,236)	6%
EBITDA (1) continuing operations	**$1,541**	$1,389	11%	**$6,490**	$7,194	-10%
Other income and expenses						
Depreciation	**(540)**	(507)	6%	**(1,979)**	(1,748)	13%
Amortization	**(16)**	(16)	0%	**(64)**	(62)	3%
Impairment	**(470)**	-	100%	**(470)**	-	100%
Finance costs	**(208)**	(217)	-4%	**(1,050)**	(889)	18%
Share-based payments	**(5)**	(17)	-71%	**(46)**	(68)	-32%
Foreign exchange gain (loss)	**444**	156	185%	**378**	(878)	-143%
Gain (loss) on disposal of property, plant and equipment - net	**6**	-	100%	**15**	(6)	350%
Gain on loan payable forgiveness	**-**	-	-	**20**	511	-96%
Gain on abandonment	**19**	34	-44%	**19**	34	-44%
Income tax expense	**(1)**	(1)	0%	**(8)**	(3)	167%
Net income from continuing operations	**$770**	$821	-6%	**$3,305**	$4,085	-19%
Gain (loss) from discontinued operation	**-**	(48)	-100%	**502**	(729)	-169%
Net income	**$770**	$773	0%	**$3,807**	$3,356	13%

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

Due to lower oil pricing, EBITDA from continuing operations for Q4 2023 is $1,541,000, which compares to $1,884,000 for Q3 2023, $1,651,000 for Q2 2023 and $1,414,000 for Q1 2023. Total EBITDA for the year ended December 31, 2023, is $6,490,000, down 10% from $7,194,000 for the 2022 year. The year-over-decease is due to increased operating costs and lower oil pricing, which together more than offset increased fluid disposal and recovered oil volumes.

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 Canada. As a result, the table above shows the discontinued Alberta operations separately from the continuing North Dakota operations.

North Dakota – Continuing Operations

Operating Income:

Q4 2023 operating income increased 8% to $2,262,000 from $2,083,000 for Q4 2022 as higher fluid disposal revenues (up 39%) and recovered oil revenues (up 14%) were partially offset by increased operating costs (up 42%). For the twelve months ended December 31, 2023, operating income decreased 6% to $8,861,000 from $9,430,000 for the year ended December 31, 2022, as higher fluid disposal revenues (up 48%) were more than offset by increased operating costs (up 68%).

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, a return to full staffing levels at all of the Company's sites to handle the increased volumes and inflationary pressures.

Volumes:

For the three and twelve months ended December 31, 2023, fluid disposal volumes increased 32% and 35% to 40,807 bpd and 41,127 bpd, respectively, from 30,999 bpd and 30,468 bpd, respectively, for the comparable 2022 three and twelve-month periods. The increase in fluid disposal volumes is 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 twelve months ended December 31, 2023, flowback volumes increased 74% to 4,383 bpd from 2,525 bpd for the 2022 year, while increasing 4% to 3,605 bpd for Q4 2023 from 3,473 bpd for Q4 2022. In particular, the Ross and Tioga SWD facilities accounted for 79% of total flowback volumes for the twelve months ended December 31, 2023, compared to 73% for 2022. Flowback water commands a higher disposal fee than production water and averaged 11% of fluid disposal volumes for 2023, up from 8% for 2022.

Non-hazardous industrial water volumes disposed by the Alexander facility are included in total fluid disposal volumes mentioned above and increased 139% to 140,748 barrels for the year ended December 31, 2023, from 58,948 barrels for the 2022 year. The bulk of this volume was received during the second, third and fourth 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 28% to 21,267 barrels for Q4 2023 from 16,648 barrels for Q4 2022, with the Ross and New Town SWD facilities accounting for 60% of total Q4 2023 oil volumes versus 72% for Q4 2022. These two facilities accounted for 64% of White Owl's recovered oil volumes for the year ended December 31, 2023, compared to 72% for 2022. The Watford SWD facility accounted for 19% and 23% of oil sales volumes for the three and twelve months ended December 31, 2023, respectively. As discussed above, the increase in recovered oil volumes is mainly due to receipt of higher volumes of flowback and early production water.

Revenue and Pricing:

The increased fluid disposal and recovered oil volumes led to Q4 2023 total revenues increasing 26% to $5,273,000 from $4,199,000 for Q4 2022. Fluid disposal revenues for Q4 2023 increased 39% to $3,227,000 from $2,319,000 for Q4 2022, while oil sales revenue increased 14% to $1,923,000 from $1,688,000 between the two quarters. For the year ended December 31, 2023, total revenues increased 25% to $20,262,000 from $16,236,000 for the 2022 year, with disposal revenues increasing 48% to $12,314,000 from $8,295,000. For the year ended December 31, 2023, oil sales revenue remained relatively flat at $7,510,000 compared to $7,474,000 for the 2022 year as a 20% increase in year-over-year oil sales volumes was offset by lower oil pricing.

Fluid disposal revenues also include flowback revenues which increased 62% to $2,423,000 for the year ended December 31, 2023, from $1,498,000 for the 2022 year, as flowback volumes increased 74% year-over-year, while flowback pricing decreased 10% between the two years, mainly due to competitive pressures around the Ross and Tioga SWD facilities earlier in the current year. In Q4 2023, the Corporation has increased flowback pricing at all of its facilities.

Oil sales continue to be a material component of revenues and accounted for 36% and 37% of total revenues for the three and twelve months ended December 31, 2023, respectively, down from 40% and 46% for the three and twelve months ended December 31, 2022, respectively. The realized net oil price decreased 16% for 2023 versus the prior year.

In 2023, the West Texas Intermediate ("WTI") oil price averaged US$77.62 per barrel, down 18% from US $94.21 per barrel for 2022. White Owl's netback oil price is determined as the WTI less deductions for trucking costs, taxes and plus or minus a Bakken differential. This differential turned negative in October 2023 for the first time since January 2022, resulting in the differential for 2023 decreasing to a small positive of US$0.16

per barrel from US$2.45 per barrel for 2022. As a result, the Corporation's netback oil price decreased 19% to US$68.25 per barrel for 2023 from US$84.70 per barrel for 2022.

Other revenue which includes interest earned on cash deposits and overhead recoveries from joint venture operations decreased 6% to $438,000 for the year ended December 31, 2023, from $467,000 for the year ended December 31, 2022. The decrease is mainly due to lower overhead recovery fees for the current year. In 2022, White Owl earned overhead fees related to construction management of the second disposal well which was commissioned in Q4 2022, while in 2023, the fees earned for operation of the Tioga and Epping Joint Ventures were higher because of increased operating costs.

Operating Costs:

For the three and twelve months ended December 31, 2023, operating costs and royalties from continuing operations increased 8% and 25% to $0.80 per barrel and $0.76 per barrel, respectively, from $0.74 per barrel and $0.61 per barrel, respectively, for the three and twelve months ended December 31, 2022. The $0.15 per barrel increase in operating costs for the year ended December 31, 2023, over the prior year, is due to the following main factors:

- Disposal volumes increased 35% to 41,127 bpd for 2023 from 30,468 bpd for 2022, resulting in increased variable operating costs, particularly tank cleanout and related solids disposal costs, chemical and filter costs, repairs and maintenance and labour.
- 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 year ended December 31, 2023, increased by $0.02 per barrel compared to the prior year.
- The increase in flowback volumes (up 74% year-over-year) resulted in tank cleanout and related solids disposal costs increasing by $0.06 per barrel in 2023 over the prior year.
- Well workover costs of $511,000 ($0.03 per barrel) at the New Town SWD facility were incurred in Q3 and Q4 2023 due to increasing annulus pressure levels from an apparent casing leak.
- Repairs and maintenance costs increased by $0.04 per barrel for the year ended December 31, 2023, over the prior year. With all White Owl SWD facilities now using horizontal pumps, future maintenance costs are forecast to remain low, however energy costs will be somewhat higher.
- Inflationary pressures also had an impact on operating costs in 2023.

Alberta – Discontinued Operation

On May 24, 2023, the Company disposed of its wholly owned subsidiary, White Owl Energy Services Ltd., for nominal consideration. The disposition comprised the shut-in oil and gas wells at Clairmont and included cash and cash equivalents, deposits, trade and other accounts receivables, oil and gas property, plant and equipment and the assumption by the purchaser of trade and other payables, promissory note, surface lease liabilities and all decommissioning liabilities associated with the Clairmont oil and gas assets. For additional information, please see **Canada** on Page 19.

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.

REVENUE AND OPERATING INCOME (LOSS) BY FACILITY

	Three months ended December 31,			**Twelve months ended December 31,**		
($000's)	**2023**	2022	%	**2023**	2022	%
Oilfield waste disposal and oil sales						
New Town	**1,176**	1,497	-21%	**4,993**	6,099	-18%
Watford City	**1,070**	844	27%	**3,500**	2,901	21%
Ross	**1,515**	1,175	29%	**6,986**	4,138	69%
Alexander	**368**	123	199%	**1,042**	376	177%
Tioga JV	**712**	238	199%	**2,203**	1,734	27%
Epping JV	**309**	130	138%	**1,100**	521	111%
	5,150	4,007	29%	**19,824**	15,769	26%
Other revenue	**123**	192	-36%	**438**	467	-6%
Revenue from continuing operations	**5,273**	4,199	26%	**20,262**	16,236	25%
Revenue from discontinued operation	**-**	4	-100%	**-**	811	-100%
Total revenue	**5,273**	4,203	25%	**20,262**	17,047	19%
Operating income (loss) from continuing operations						
New Town	**437**	806	-46%	**1,749**	3,461	-49%
Watford City	**518**	401	29%	**1,452**	1,390	4%
Ross	**600**	617	-3%	**3,564**	2,547	40%
Alexander	**188**	42	348%	**468**	47	896%
Tioga JV	**332**	30	1007%	**967**	975	-1%
Epping JV	**64**	(5)	1380%	**223**	97	130%
Employee Retention Credit	**-**	-	-	**-**	446	-100%
	2,139	1,891	13%	**8,423**	8,963	-6%
Other revenue	**123**	192	-36%	**438**	467	-6%
Operating income (1) from continuing operations	**2,262**	2,083	9%	**8,861**	9,430	-6%
Operating loss (1) from discontinued operation	**-**	(94)	-100%	**(29)**	(542)	-95%
Total operating income (1)	**2,262**	1,989	14%	**8,832**	8,888	-1%

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

New Town SWD Facility

Environmental and Safety:

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

Operating Income:

For the twelve months ended December 31, 2023, operating income decreased 49% to $1,749,000 from $3,461,000 for the 2022 year, mainly due to lower recovered oil volumes (down 25%), a 19% decrease in oil pricing and higher operating costs. Please see *"Operating Costs and Royalties"* below.

Q4 2023 operating income decreased 46% to $437,000 from $806,000 for Q4 2022 due to well workover costs of $169,000 during the quarter, lower fluid disposal volumes (down 8%) and lower recovered oil sales (down 25%).

Volumes:

For the twelve months ended December 31, 2023, volumes remained relatively flat at 12,183 bpd compared to 12,403 bpd for the 2022 year. Q4 2023 fluid volumes for this facility decreased 8% to 11,192 bpd from 12,199 bpd in Q4 2022, mainly due to a temporary shut-down in October 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 twelve months ended December 31, 2023, flowback volumes averaged 76 bpd and 133 bpd, compared to 103 bpd and 170 bpd for the 2022 comparable periods.

While fluid volumes remained relatively flat, recovered oil volumes for the twelve months ended December 31, 2023, decreased 25% to 22,627 barrels from 29,989 barrels for the 2022 year. Oil recovery volumes have decreased to a monthly average of 1,900 barrels in 2023 from 2,500 barrels in 2022 mainly due to lower flow back volumes and the more mature producing wells in the area. During 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. Q4 2023 recovered oil volumes also decreased 25% to 5,664 barrels from 7,512 barrels for Q4 2022.

Revenues and Pricing:

For the three and twelve months ended December 31, 2023, total revenues decreased 21% and 18%, respectively, to $1,176,000 and $4,993,000 from $1,497,000 for Q4 2022 and $6,099,000 for the 2022 year. The decrease in total revenues is mainly due to lower recovered oil sales. As mentioned under *Volumes* above, oil recovery has decreased year-over-year due to the age of the wells. While fluid disposal revenues remained relatively flat at $2,937,000 for the year ended December 31, 2023, versus $2,846,000 for 2022, oil revenues decreased 37% to $2,056,000 from $3,253,000 over the same years. This decrease was the result of a 25% decrease in recovered oil sales due to lower volumes combined with a 19% decrease in the realized net oil price.

For Q4 2023, fluid disposal revenues decreased 8% to $679,000 from $735,000 for Q4 2022, while oil revenues decreased 35% to $497,000 from $762,000 for Q4 2022 due to lower oil volumes (down 25%) and lower oil pricing (down 14%).

Operating Costs and Royalties:

For the twelve months ended December 31, 2023, operating costs increased 23% to $3,244,000 (or $0.73 per barrel) from $2,638,000 (or $0.58 per barrel) for the 2022 year. This increase was primarily due to one time well workover costs of $511,000 (or $0.11 per barrel) recorded in the third and fourth quarters of 2023. During the second half of the year, 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. In addition, higher equipment repairs and maintenance costs accounted for $0.03 per barrel of the increase in operating costs per barrel.

Q4 2023 operating costs increased 7% to $739,000 (or $0.72 per barrel) from $691,000 (or $0.62 per barrel) for Q4 2022. This increase is due to the well workover costs discussed above which accounted for $0.16 per barrel of expenses in the current quarter.

At the New Town SWD, the original Triplex pumps are being replaced with horizontal pumps. In preparation for this work, which is scheduled to completed in Q1 2024, contaminated soil has been removed from beneath the two original pump skids and replaced with clean fill material for a total cost of $132,000. The cost of this cleanup work had been previously accrued in the year end December 31, 2023, financial statements.

Capital Project:

Capital projects for the twelve months ended December 31, 2023, totaled $1,121,000 and included electrical system upgrades ($391,000), stormwater pond construction and upgrades ($271,000), injection pump skid upgrade ($138,000) and the purchase of a variable frequency drive ($200,000).

Electrical system upgrades have been ongoing for most of 2023 with the installation of a new transformer and associated electrical panels completed in Q4 2023.

The project to upgrade the stormwater ponds in the south and north of the site was completed in the fourth quarter. The liner for both ponds was installed during Q4 2023.

As mentioned above, the injection system at the New Town SWD is being upgraded with the purchase and installation of a permanent 800-hp horizontal pump to replace the temporary 600-hp rental pump. This project is scheduled to be complete by the end of the first quarter of 2024 and is expected to result in increased plant capacity of approximately 3,000 bpd for a total facility capacity of approximately 16,000 bpd.

Watford City SWD Facility

Environmental and Safety:

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

Operating Income:

Q4 2023 operating income increased 29% to $518,000 from $401,000 for Q4 2022 due to increased fluid disposal and recovered oil sales. For the year ended December 31, 2023, operating income increased 4% to $1,452,000 from $1,390,000 for 2022.

Volumes:

Increased well completion activity in the area led to fluid disposal volumes increasing 28% to 7,919 bpd for Q4 2023 from 6,196 bpd for Q4 2022, despite more active competition in the Watford City region. For the year ended December 31, 2023, fluid disposal volumes increased 15% to 7,514 bpd from 6,534 bpd for 2022.

With the higher disposal volumes and a higher proportion of oil-rich flowback water, recovered oil volumes increased 37% to 15,522 barrels for the year ended December 31, 2023, from 11,340 barrels for 2022, while Q4 2023 recovered oil volumes increased 30% to 4,922 barrels from 3,792 barrels for Q4 2022.

Revenues and Pricing:

For the twelve months ended December 31, 2023, total revenues increased 21% to $3,500,000 from $2,901,000 for 2022. This increase in revenues is mainly due to fluid disposal revenues increasing 24% to $2,072,000 for the 2023 year from $1,665,000 for 2022, with volumes increasing 15% and pricing for trucked-in-water increasing by 9%. Recovered oil revenues for the current year increased 16% to $1,428,000 from $1,236,000 for 2022, with the 37% increase in recovered oil volumes more than offsetting a 19% decrease in oil pricing.

Q4 2023 total revenues increased 27% to $1,070,000 from $844,000 for Q4 2022, mostly due to recovered oil revenues increasing by $75,000, with the 30% increase in oil volumes more than offsetting lower oil pricing. Q4 2023 fluid disposal revenues increased 33% to $617,000 from $465,000 for Q4 2022, as disposal volumes increased 28% and pricing increased 3%.

Operating Costs and Royalties:

For the year ended December 31, 2023, operating costs increased 36% to $2,048,000 (or $0.75 per barrel) from $1,511,000 (or $0.63 per barrel) for 2022. The increase is mainly due to repairs and maintenance expenses increasing by $440,000 (or $0.15 per barrel) between the two years. This increase is primarily due to tank cleanout and related solids disposal expenses combined with repairs to the injection pump and its electrical drive.

Q4 2023 operating costs increased 25% to $552,000 ($0.76 per barrel) from $443,000 (or $0.78 per barrel) for Q4 2022, approximately matching the 28% increase in disposal volumes.

Capital Projects:

For the year ended December 31, 2023, capital projects at this site comprised upgrades to the fire detection system ($15,000) and to the injection line ($14,000).

Ross SWD Facility

Environmental and Safety:

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

Operating Income:

For the twelve months ended December 31, 2023, operating income increased 40% to $3,564,000 from $2,547,000 for 2022. This increase was due to a two-fold increase in water disposal revenues and a 32% increase recovered oil revenues, both of which combined more than offset increased operating costs (up 115%). Please see "*Operating Costs and Royalties*" below.

Q4 2023 operating income decreased 3% to $600,000 from $617,000 for Q4 2022 mainly due to increased operating costs, offsetting higher fluid disposal revenues and oil revenues.

Volumes:

For the twelve months ended December 31, 2023, fluid disposal volumes more than doubled to 13,774 bpd from 6,579 bpd for the 2022 year. This increase was a result of increased well completion activity by area producers. For the same reason, Q4 2023 fluid disposal volumes increased 34% to 11,842 bpd from 8,834 bpd for Q4 2022. Volumes for the prior quarter, Q3 2023, were 18,411 bpd and to handle the significant increase in hourly and daily volumes, a second rental injection pump was installed in Q2 2023. The reduction from 18,411 bpd in Q3 2023 to 11,842 bpd in Q4 2023 was a result of producers placing new production on pipeline following completion of their completion programs (the Ross SWD facility is not pipeline connected).

Despite production water in the area being moved to pipeline within a few months of completion, the flowback water from completion activities is being delivered to the Ross SWD facility. As a result, flowback volumes increased 106% to 2,593 bpd for the year ended December 31, 2023, from 1,258 bpd for the 2022 year. Flowback volumes decreased to 1,133 bpd for Q4 2023 from 1,872 bpd for Q4 2022 due to the decline in completion activity.

Along with the substantial increase in fluid disposal volumes, recovered oil volumes increased 61% and 58% to 6,998 barrels and 29,706 barrels, respectively, for the three and twelve months ended December 31, 2023.

Revenues and Pricing:

For the twelve months ended December 31, 2023, total revenues for the Ross SWD facility increased 69% to $6,986,000 from $4,138,000 for 2022. Fluid disposal revenues more than doubled to $4,222,000 for 2023 from $2,028,000 for 2022, approximately matching the 109% increase in disposal volumes. Recovered oil revenues increased 31% to $2,764,000 for 2023 from $2,110,000 for 2022, as the increased oil volumes (up 58%) were partially offset by lower oil pricing (down 20%).

Q4 2023 total revenues increased 29% to $1,515,000 from $1,175,000 for Q4 2022. Fluid disposal revenues increased 19% to $866,000 from $728,000 between the two three-month periods, due to the higher disposal volumes (up 34%). Recovered oil revenues increased 45% to $649,000 for Q4 2023 from $447,000 for Q4 2022, as a 61% increase in oil volumes was partially offset by a 10% decrease in oil pricing.

Operating Costs and Royalties:

For the twelve months ended December 31, 2023, operating costs and royalties more than doubled to $3,422,000 (or $0.68 per barrel) from $1,591,000 (or $0.66 per barrel) for the 2022 year when the facility was unmanned due to low volumes. In 2023, the economies of scale from the significantly increased volumes (up 109% year-over-year) were offset by higher repairs and maintenance expenses and manpower costs, as the site now has operators onsite 24 hours per day compared to unmanned operations in 2022. Repairs and maintenance expenses for 2023 include the installation of a de-sand tank, piping upgrades and tank clean out and solids disposal costs.

Q4 2023 operating costs increased 64% to $915,000 (or $0.84 per barrel) from $558,000 (or $0.69 per barrel) for Q4 2022. Utilities, chemical and filter costs increased by $0.07 per barrel between the two quarters due to the significant increase in disposal volumes, while repairs and maintenance accounted for $0.03 per barrel of the cost increase and labour costs accounted for $0.04 per barrel.

Capital Projects:

For the twelve months ended December 31, 2023, capital projects at this facility totaled $409,000 and included upgrades to the de-sand tanks along with piping changes ($188,000), installation costs for the second rental pump ($78,000) and a rural water connection ($63,000). The second rental pump was installed to increase the hourly and daily injection capacity of the facility in response to significantly increased disposal volumes, as described above – please see "*Volumes*" above.

Alexander Class 1 Facility

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 permitted 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 licensed 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 twelve months ended December 31, 2023.

Operating Income:

Higher disposal volumes resulted in operating income for the three and twelve months ended December 31, 2023, increasing significantly to $188,000 and $468,000, respectively, from $42,000 and $47,000 for the comparable 2022 periods.

Volumes:

For the twelve months ended December 31, 2023, volumes increased 139% to 140,748 barrels from 58,948 barrels for the prior year. Q4 2023 disposal volumes more than doubled to 43,207 barrels from 20,509 barrels for Q4 2022. Normally disposal volumes in the first and fourth quarter of the year are weak because of freezing winter conditions. Cold weather prevents the transportation of non-hazardous industrial wastewater which is mainly fresh water as opposed to saltwater volumes disposed by White Owl's other facilities. For Q4 2023, warmer weather conditions later in the quarter resulted in disposal volumes of 16,300 barrels and 16,200 barrels in November and December, respectively.

Due to downhole restrictions the injection capacity of the disposal well at this site is now limited to approximately 16,000 barrels per month which is less than market demand for the service.

Revenues and Pricing:

For the three and twelve months ended December 31, 2023, total revenue tripled to $368,000 and $1,042,000, respectively, from $123,000 and $376,000, respectively, for the comparable 2022 periods. Due to improving market conditions, pricing increases were implemented in Q4 2023.

Operating Costs and Royalties:

For the three and twelve months ended December 31, 2023, operating costs and royalties increased 122% and 74%, respectively, to $180,000 and $574,000, from $81,000 and $329,000 for the comparable 2022 periods. The increase in operating costs was due to higher disposal volumes received combined with several small acid stimulation programs implemented to optimize injection rates. Also, a full-time plant operator was added in Q3 2023 in order to handle the increased volumes.

Capital Projects:

There were minimal capital projects for this facility in 2023.

Tioga SWD JV Facility

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

Environmental and Safety:

There were no spills, environmental incidents, or safety issues during the three and twelve months ended December 31, 2023.

Operating Income:

Q4 2023 operating income increased eleven-fold to $332,000 from $30,000 for Q4 2022 due to the three-fold increase in both fluid disposal and recovered oil volumes. For the twelve months ended December 31, 2023, operating income remained flat at $967,000 compared to $975,000 for 2022, as a 57% increase in operating costs (please see "*Operating Costs and Royalties*" below) and lower oil pricing (down 23%) offset higher disposal fluids (up 28%) and increased oil volumes (up 57%).

Volumes:

Several producers have been actively permitting and drilling wells in the area in 2023, resulting in a significant increase in fluid disposal and recovered oil volumes in the second half of 2023. Q4 2023 fluid disposal volumes increased three-fold to 11,844 bpd from 3,828 bpd for Q4 2022, while oil volumes increased more than three-fold to 6,502 barrels from 1,803 barrels for the same periods. Oil-rich flowback volumes doubled to 2,170 bpd for Q4 2023 from 1,080 bpd for Q4 2022 due to the increased well completion activity by area producers.

For the twelve months ended December 31, 2023, fluid disposal volumes increased 28% to 8,016 bpd from 6,273 bpd for 2022, while the higher proportion of flowback volumes resulted in recovered oil volumes increasing 57% to 24,681 barrels from 15,709 bpd for 2022.

Revenues and Pricing:

Q4 2023 total revenues, net to White Owl, increased three-fold to $712,000 from $238,000 for Q4 2022, matching the increase in fluid disposal and recovered oil volumes. During Q4 2023, pricing for production water remained flat, while management was able to implement a small increase in pricing for flowback water.

For the twelve months ended December 31, 2023, total revenues, net to White Owl, increased 27% to $2,203,000 from $1,734,000 for the 2022 year. Fluid disposal revenues for 2023 increased 27% to $1,133,000 from $894,000 for the 2022 year, as a result of a 28% increase in fluid disposal volumes although disposal pricing decreased 4% year-over-year. Recovered oil volumes were up 57% with oil sales revenues up 27% to $1,070,000 from $840,000, despite a 23% decrease in oil pricing.

Operating Costs and Royalties:

The Tioga SWD facility has been handling substantial volumes of flowback water along with its high oil and solids content. This has resulted in solids buildup in the tanks. Fortunately, the additional revenue from flowback disposal fees and oil sales significantly exceeds the increase in operating costs incurred in removing solids buildup in the tanks. In 2023, solids disposal costs for this facility totaled $250,000 (or $0.18 per barrel), net to White Owl, compared to $29,000 (or $0.03 per barrel) in 2022.

Q4 2023 operating costs and royalties increased 83% to $380,000 (or $0.74 per barrel) from $208,000 (or $1.26 per barrel) for Q4 2022. Disposal volumes were significantly lower in Q4 2022, resulting in high unit cost of $1.26 per barrel, with fixed costs being spread over much lower volumes. In line with its goal to reduce pump maintenance at all locations, the Triplex pumps were replaced with a horizontal pump during Q4 2023. This horizontal rental pump has reduced the facility's downtime for maintenance and increased the injection capacity by about 2,000 bpd.

For the twelve months ended December 31, 2023, operating costs and royalties increased 63% to $1,236,000 (or $0.90 per barrel) from $759,000 (or $0.71 per barrel) for 2022. The increase of $0.19 per barrel in unit operating cost is mainly due to higher solids disposal costs which accounted for $0.15 per barrel (or $221,000) of the increase. Higher year-over-year equipment repairs and maintenance accounted for $0.05 per barrel of the unit cost increase. The replacement of the Triplex positive displacement pumps with the horizontal rental pump will reduce pump maintenance costs, however energy costs will be higher.

Capital Projects:

The main capital project during Q4 2023 was the replacement of the Triplex positive displacement pumps with the larger horizontal pump along with the upgrade of the charge pump and filter housing. There were other minor capital expenditures during 2023 including pump upgrades, injection skid sump pumps and improvements to the fire protection system.

Epping SWD JV Facility

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

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

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 fourth quarter of 2023, there were no reportable spills, environmental incidents or safety incidents, however there was a small spill of 15 barrels of fluid on February 15, 2023. 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 twelve months ended December 31, 2023, increased to $64,000 and $223,000 from an operating loss of $5,000 and operating income of $97,000 for the three and twelve months ended December 31, 2022. Increased disposal and recovered oil volumes following commissioning of the second well in November 2022 led to the increased operating income in 2023.

Volumes:

Q4 2023 fluid disposal volumes more than doubled to 10,906 bpd from 5,120 bpd for Q4 2022 following commissioning of the second injection well and connecting pipeline in November 2022. For the twelve months ended December 31, 2023, fluid disposal volumes increased 79% to 10,005 bpd from 5,601 bpd for 2022. The additional volumes constitute trucked-in production water which has more oil content than pipeline volumes. Pipeline volumes which have very little oil content, accounted for 36% of total fluid disposal volumes in 2023 versus 74% in 2022. As a result, recovered oil volumes increased more than four-fold to 1,798 barrels in Q4 2023 from 429 barrels for Q4 2022 and also increased four-fold to 5,862 barrels for the year ended December 31, 2023, from 1,441 barrels for 2022.

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. Drilling and completion activity in the area has also been slow resulting in low volumes of flow back which has a higher oil content than production water. Flowback volumes averaged 300 bpd for 2023.

Marketing efforts to increase disposal volumes at this site remain a focus for the Corporation. 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 for the three and twelve months ended December 31, 2023, net to White Owl, more than doubled to $309,000 and $1,100,000, respectively, from $130,000 and $521,000 for the 2022 comparable periods. The increase in total revenues is due to the higher fluid disposal and recovered oil volumes.

For Q4 2023, fluid disposal revenues more than doubled to $252,000 from $115,000 for Q4 2022, while oil revenues, despite a 9% decrease in the netback oil price, increased to $57,000 from $15,000 between the two quarters. Flowback pricing increased 18% for Q4 2023 relative to Q4 2022 due to a price increase implemented in the quarter.

For the twelve months ended December 31, 2023, fluid disposal revenues increased 94% to $914,000 from $471,000 for the prior year. Higher recovered oil volumes led to a significant increase in oil revenues to $186,000 from $50,000, despite an 18% decrease in the netback oil price.

Operating Costs and Royalties:

Operating costs totaled $245,000 (or $0.70 per barrel) for Q4 2023 compared to $135,000 (or $0.84 per barrel) for Q4 2022. The decrease in unit cost is mainly due to higher disposal volumes in 2023.

For the twelve months ended December 31, 2023, operating costs totaled $877,000 (or $0.69 per barrel) compared to $424,000 (or $0.63 per barrel) for the 2022 year. The increase in unit cost is due to increased labour costs and higher tank cleanout costs during the current year, which totaled $89,000 compared to $8,000 for 2022.

Capital Projects:

In Q4 2024, work commenced on the installation of a sump collection system for the truck offloads. This upgrade will help capture small amounts of oil remaining on trucks at the end of the unload process. The project will be completed in Q2 2024.

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, trade and other accounts receivables, oil and gas property, plant and equipment and the assumption of trade and other accounts payables, promissory note, 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 twelve months ended December 31, 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 twelve months ended December 31, 2023.

Net Income (Loss) from Discontinued Operation:

For the twelve months ended December 31, 2023, the Corporation recorded a net income from discontinued operation of $502,000 versus a net loss of $729,000 for the comparable 2022 year. For the twelve months ended December 31, 2023, the net income from discontinued operation includes the gain on disposition of subsidiary of $566,000.

($000's)	Three months ended December 31, 2023	2022	Twelve months ended December 31, 2023	2022
Revenue	**-**	4	**-**	811
Expenses				
Operating costs	**-**	97	**30**	1,353
General and administrative	**-**	3	**3**	38
Depreciation	**-**	(5)	**31**	25
Impairment	**-**	1,343	**-**	1,343
Finance costs	**-**	2	**10**	71
Gain on disposal of property plant and equipment	**-**	(1,388)	**-**	(1,401)
Loss on abandonment	**-**	-	**-**	111
Government abandonment grant-in-kind	**-**	-	**(10)**	-
	-	52	**64**	1,540
Gain on disposition of subsidiary	**-**	-	**(566)**	-
Net income (loss) from discontinued operation	-	(48)	**502**	(729)

OTHER REVENUE

Other revenue includes operational, administration and capital fees charged by White Owl for services provided by White Owl to the Tioga JV and Epping JV, as well as interest earned on cash deposits. Other revenue for Q4 2023 decreased 36% to $123,000 from $192,000 for Q4 2022, as the prior year quarter included project management fees earned relating to construction of the second disposal well at Epping. For the twelve months ended December 31, 2023, other revenue decreased 6% to $438,000 from $467,000 for the 2022 year.

G&A EXPENSES

($000's)	Three months ended December 31, 2023	2022	Twelve months ended December 31, 2023	2022
Salaries and management	**574**	519	**1,575**	1,432
Professional Fees	**29**	45	**298**	347
Travel and related expenses	**20**	23	**86**	87
General office expenses	**88**	92	**340**	320
Third party consulting fees	**10**	15	**72**	50
Total from continuing operations	**721**	694	**2,371**	2,236
Discontinued operation	**-**	3	**5**	38
Total	**721**	697	**2,376**	2,274

Q4 2023 G&A expenses from continuing operations increased 4% to $721,000 from $694,000 for Q4 2022. Salaries and management expenses for Q4 2023 increased to $574,000 from $519,000 for Q4 2022 mainly due to year-end bonus compensation in the current quarter. Q4 2023 professional fees decreased to $29,000 from $45,000 for Q4 2022 due to mainly higher legal costs. General office expenses decreased slightly to $88,000 for Q4 2023 from $92,000 for Q4 2022.

For the twelve months ended December 31, 2023, G&A expenses from continuing operations increased 6% to $2,371,000 from $2,236,000. Salaries and management expenses increased to $1,575,000 from $1,432,000 mainly due to cost-of-living adjustments implemented on June 1, 2022 and year-end bonus compensation in 2023. General office expenses increased to $340,000 for 2023 from $320,000 for 2022 mainly due to higher computer support costs and insurance premiums.

DEPRECIATION

Depreciation from continuing operations increased to $540,000 and $1,979,000 for the three and twelve months ended December 31, 2023, respectively, from $507,000 and $1,748,000 for the comparable periods in 2022. The increase is mainly due to capital costs incurred in the second half of 2022 for the Corporation's share of the Epping 2nd well capital costs.

IMPAIRMENT

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.

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.

FINANCE COSTS

	Three months ended December 31,		Twelve months ended December 31,	
($000's)	**2023**	2022	**2023**	2022
Interest on long-term debt	**128**	173	**725**	682
Interest on promissory notes and loans payable	**-**	-	**-**	1
Interest on lease liabilities	**4**	3	**14**	6
Accretion of decommissioning obligations	**14**	10	**54**	36
Accretion of transaction costs	**51**	36	**167**	137
Interest (income) expenses, bank charges and other	**11**	(5)	**90**	27
Total from continuing operations	**208**	217	**1,050**	889
Discontinued operation	**-**	2	**10**	71
Total	**208**	219	**1,060**	960

For the three months ended December 31, 2023, the Company's average interest rate on the senior lender's long-term debt was 11.35% compared to 6.95% for Q4 2022. For the twelve months ended December 31, 2023, the Company's average interest rate on the senior lender's long-term debt was 10.50% compared to 6.82% for the 2022 year. The interest rate is calculated at the US dollar floating interest rate plus 1.50%.

For the twelve months ended December 31, 2023, interest on long-term debt increased to $725,000 from $682,000 for the year ended December 31, 2022, mainly due to higher interest rates, which more than offset lower outstanding debt. The lower outstanding debt is attributable to principal prepayments made during the year, as discussed under "**Long-Term Debt and Operating Loan**" below. For the three months ended December 31, 2023, interest on long-term debt decreased to $128,000 from $173,000 for Q4 2022, mainly due to significantly lower debt levels. The average outstanding debt for Q4 2023 decreased to US$3.3 million from US$7.2 million for Q4 2022.

FOREIGN EXCHANGE GAINS AND LOSSES

The foreign exchange gains and losses reflect the impact of changes in exchange rates on US dollar cash balances and short-term intercompany loans. For the three months ended December 31, 2023, the Company recorded foreign exchange gains of $444,000 compared to $156,000 for Q4 2022. For the twelve months ended December 31, 2023, the Company recorded foreign exchange gains of $378,000 compared to foreign exchange losses of $878,000 for 2022. The average exchange rate for Q4 2023 was 1.3619 compared to 1.3580 for Q4 2022, while for the twelve months ended December 31, 2023, the average exchange rate was 1.3497 versus 1.3017 for 2022.

SHARE-BASED PAYMENTS

Share-based payments relate to the amortization of the fair value of stock options issued to management, employees and directors of the Company. For the three and twelve months ended December 31, 2023, the Company recorded share-based payments of $5,000 and $46,000, respectively, compared to $17,000 and $68,000 for the three and twelve months ended December 31, 2022, respectively. The year-over-year decrease in share-based payments expense is due to the forfeiture of options related to retiring employees.

SUMMARY OF QUARTERLY RESULTS FROM CONTINUING OPERATIONS

($000's)	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Revenue (2)	$5,273	$5,834	$4,802	$4,353	$4,199	$4,098	$4,306	$3,632
EBITDA (1)	1,541	1,884	1,651	1,414	1,389	1,955	2,221	1,628
Net income (loss) from continuing operations(2)	770	685	1,184	666	821	388	1,232	1,644
Net income (loss) from discontinued operation	-	-	558	(56)	(48)	(64)	(313)	(303)

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

(2) *Comparative information has been re-presented due to a discontinued operation. Please see "Canada" on Page 19.*

The decrease in net income from continuing operations to $770,000 for Q4 2023 and $685,000 for Q3 2023 from $1,184,000 for Q2 2023 is mainly due to the impairment charge of $470,000 recorded in Q4 2023 and a foreign exchange loss recorded in Q3 2023, compared to a foreign exchange gain of $335,000 recorded in Q2 2023. The increase in net income from continuing operations to $1,184,000 for Q2 2023 from $666,000 for Q1 2023 is mainly due to increased disposal revenues. The increase in net income from discontinued operation in Q2 2023 is due to a gain of $566,000 on disposition of a subsidiary (please see **Canada** on Page 19). The decrease in net income from continuing operations to $666,000 for Q1 2023 from $821,000 for Q4 2022 is mainly due to higher depreciation expense and finance costs. The increase in net income from continuing operations for Q4 2022 to $821,000 from $388,000 for Q3 2022 is mainly due to a gain on the disposal of the Clairmont Terminal, impairment expenses related to the remaining Clairmont assets and unrealized foreign exchange losses for the third quarter of 2022. The decrease in net income from continuing operations for Q2 2022 to $1,232,000 from $1,644,000 in Q1 2022 is mainly due to the recording in Q1 2022 of a gain of $511,000 relating to the forgiveness of the second Payroll Protection Program loan.

LIQUIDITY AND CAPITAL RESOURCES

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

Investing Activities

	Three months ended December 31		Twelve months ended December 31	
($000's)	**2023**	2022	**2023**	2022
Capital expenditures	**904**	1,739	**1,916**	2,841

Capital Expenditures:

Capital expenditures for the three and twelve months ended December 31, 2023, totaled $904,000 and $1,916,000, respectively. Capital projects for 2023 include $1,121,000 at the New Town SWD facility (electrical upgrades, a de-sand tank, variable frequency drive and upgrades to the electrical infrastructure and stormwater ponds), $409,000 at the Ross SWD facility (de-sand tank and piping upgrades, rental pump installation and rural water connection) and $210,000 for spare parts and field vehicles.

The capital expenditures for the three end twelve months ended December 31, 2022, of $1,739,000 and $2,841,000, respectively, include $1,433,000 and $2,289,000, respectively, for the Epping second well and related construction costs.

Financing Activities

Share Capital:

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

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

Share Options

There were 6,633,000 share options outstanding as of December 31, 2023 (December 31, 2022 – 6,849,000), with a weighted average exercise price of $0.05 (December 31, 2022 - $0.05) per share. During the three and twelve months ended December 31, 2023, nil share options were granted to employees, management and directors of the Company, 133,000 and 216,000 share options were forfeited and nil share options expired.

Long-Term Debt and Operating Loan

Long-Term Debt:

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

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**

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.

However, as at December 31, 2023, the senior lender has agreed to waive total repayment of the outstanding principal and to limit the repayment 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 2024.

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. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Strong sustainability performance is fundamental to our business, and we continue to pursue opportunities to progress our ESG targets and reduce our emissions from all sources. We continue to focus on several environmental areas including greenhouse gas emissions and water use as well as safety and governance performance and during 2023, the Company continued to make progress on these fronts.

We have reduced spills and volatile organic emissions throughout our facilities network and have had no reportable accidents. Our field people are cognisant of the need to meet our ESG guidelines and their compensation is tied to performance on these matters.

OUTLOOK

US Bakken Activity

With drilling activity in the Bakken shale nearly four times higher than it was three years ago, the Bakken trends remain positive for both oil and natural gas production. Gas-to-oil ratios have steadily increased in the Williston Basin during recent years, with gas production increasing more than three-fold, from 1.1 BCFD in 2014 to 3.5 BCFD today. Bakken oil production is currently at 1.3 million barrels per day, an increase from 1.1 million barrels per day at exit 2022.

Oil prices have held steady thanks to global supply cuts by major OPEC producers and their allies, but increasing gas production in the US, especially from oil companies who view gas as a byproduct of their output, has put pressure on gas prices. Natural gas prices in February 2024 fell to an inflation-adjusted 30-year low of $1.59 per thousand cubic feet.

While oil is still an important commodity in the Bakken, natural gas is becoming more of an economic driver. The associated natural gas production in the Bakken is rich in natural gas liquids (NGLs), that requires substantial investment in infrastructure. Expanded fractionation capacity has helped the Bakken producers dramatically reduce flaring in recent years from 36% in 2014 to about 4% in 2023, however there still is about 150 mmcfd being flared. NGL egress capacity from the Bakken has recently been increased by 240,000 bpd as a result of an NGL pipeline expansion, supporting further increases in gas production which will continue to grow along with crude oil production. This increase in gas production drives increases in NGLs both from gas plants and from field processing locations and White Owl is evaluating emerging condensate processing opportunities at its SWD locations.

For 2024, Bakken trends remain positive for drilling and completions, with White Owl forecasting modest growth in income from its existing North Dakota SWD network.

Dakota Access Pipeline

The Dakota Access Pipeline remains in limbo with federal officials releasing a draft environmental review of the pipeline in September 2023, in which they said they would not decide on the controversial river crossing in North Dakota until more data was provided. The partial review comes more than three years after a federal judge ordered it, and in the process revoked the permit for the Missouri River crossing, located upstream of the Standing Rock Sioux Tribe's reservation. The tribe is concerned a pipeline oil spill could contaminate its water supply.

Corporate Review

White Owl has updated its three-year business outlook to reflect its current views on commodity prices, drilling and completion activity in the Bakken and the ongoing inflationary environment in the industry. The Company's outlook continues to be underpinned by a focus on strong and safe operational execution, low financial leverage, redemption of preferred shares and modest growth. The plan is supported by the over ten years of Tier 1 drilling inventory held by White Owl's Bakken customers in areas adjacent to White Owl's facilities.

As discussed in our recent shareholder letter of December 20, 2023, returning capital to shareholders is a priority and we are assessing our ability under the current budget forecast to accelerate the redemption of preferred shares while funding modest growth through projects that meet the Company's rate of return and financial guidelines. Such a plan will increase common shareholder ownership in the business and eventually allow us to implement a return of capital model to these shareholders who have remained patient while we have navigated the COVID lockdown period and aggressively paid down debt.

With global oil demand growth still healthy at 1.25% annually (Raymond James, February 2024) and ongoing geopolitical risk, we believe that stable oil prices will continue to encourage Bakken producers to remain active in their efforts to replace declining production. Bakken wells decline at an average of 65% during their first year of production and then decline rates stabilise at around 7% per year.

Again, we would also like to thank all our staff in Alberta and North Dakota for their significant efforts in 2023. Thank you for your commitment and loyalty and for your assistance in achieving strong operating and financial results for the twelve months ended December 31, 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.

FORWARD-LOOKING INFORMATION

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

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

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

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