March 25, 2024

REPORT TO OUR SHAREHOLDERS

To Our Shareholders,

We are pleased to provide you with the Consolidated Interim Financial Statements and Management's Discussion of Financial Results of White Owl Energy Services Inc. ("White Owl" or "the Corporation" or "the Company") for the three months and twelve months ended December 31, 2023.

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.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended December 31,			Twelve months ended December 31,		
($000's, unless otherwise noted)	**2023**	2022	%	**2023**	2022	%
Continuing operations						
North Dakota operations						
Disposal volumes (Bbls)	**3,754,256**	2,851,891	32%	**15,011,294**	11,120,732	35%
Recovered oil sales volumes (Bbls)	**21,267**	16,648	28%	**81,504**	67,949	20%
Disposal revenue ($ 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	9%	**$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)	7%	**(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 Alberta or 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 21.

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.

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OPERATING LOCATIONS (dollar amounts in USD except Clairmont):

New Town SWD

New Town Facility (amounts in USD except volumes)

	Q4 2023	Q4 2022	Change	YE 2023	YE 2022	Change
Production Water - Trucked	11,116	12,096	-8%	12,051	12,233	-1%
Flowback	76	103	-26%	133	170	-22%
Total Fluids Disposed	11,192	12,199	-8%	12,183	12,403	-2%
Oil Sales	5,664	7,512	-25%	22,627	29,989	-25%
Revenue:						
Production Water - Trucked	$492,024	$532,803	-8%	$2,120,445	$2,099,848	1%
Price for Production Water/bbl	0.48	0.48	0%	0.48	0.47	3%
Flowback	8,597	9,804	-12%	58,758	89,457	-34%
Price for Flowback/bbl	1.23	1.03	18%	1.21	1.44	-16%
Recovered Oil	365,042	560,736	-35%	1,523,688	2,498,505	-39%
Price for Oil/bbl	64.45	74.65	-14%	67.34	83.31	-19%
Total Revenue	865,663	1,103,343	-22%	3,702,891	4,687,810	-21%
Total Revenue/bbl.	$0.84	$0.98	-14%	$0.83	$1.04	-20%
Operating Expenses	541,885	508,559	7%	2,401,863	2,024,979	19%
Operating Income	$323,778	$594,784	-46%	$1,301,028	$2,662,831	-51%

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 51% to $1,301,028 from $2,662,831 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 $323,778 from $594,784 for Q4 2022 due to well workover costs of $124,000 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 22% and 21%, respectively, to $865,663 and $3,702,891 from $1,103,343 for Q4 2022 and $4,687,810 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 $2,179,203 for the year ended December 31, 2023, versus $2,189,3058 for 2022, oil revenues decreased 39% to $1,523,688 from $2,498,505 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 $500,621 from $542,607 for Q4 2022, while oil revenues decreased 35% to $365,042 from $560,736 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 19% to $2,401,863 (or $0.54 per barrel) from $2,024,979 (or $0.45 per barrel) for the 2022 year. This increase was primarily due to one time well workover costs of $379,000 (or $0.08 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 $0.02 per barrel of the increase in operating costs per barrel.

Q4 2023 operating costs increased 7% to $541,885 (or $0.53 per barrel) from $508,559 (or $0.46 per barrel) for Q4 2022. This increase is due to the well workover costs discussed above which accounted for $0.12 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 be 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 $98,000. The cost of this cleanup work had been previously accrued in the year ended December 31, 2023, financial statements.

Capital Project:

Capital projects for the twelve months ended December 31, 2023, totaled $823,000 and included electrical system upgrades ($290,000), stormwater pond construction and upgrades ($201,000), injection pump skid upgrade ($102,000) and the purchase of a variable frequency drive ($149,000).

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.

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Watford City SWD

Watford Facility (amounts in USD except volumes)	Q4 2023	Q4 2022	Change	YE 2023	YE 2022	Change
Production Water - Trucked	6,627	4,251	*56%*	6,620	5,495	*20%*
Production Water - Piped	6	979	*100%*	233	545	*100%*
Flowback	1,286	966	*33%*	661	495	*34%*
Total Fluids Disposed	7,919	6,196	*28%*	7,514	6,534	*15%*
Oil Sales	4,922	3,792	*30%*	15,522	11,340	*37%*
Revenue:						
Production Water - Trucked	$303,780	$189,677	*60%*	$1,206,292	$920,715	*31%*
Price for Prodn. Water-Trucked/	0.50	0.49	*3%*	0.50	0.46	*9%*
Production Water - Piped	249	63,884	*100%*	40,797	145,397	*100%*
Price for Prodn. Water Piped/bbl	0.47	0.71	*100%*	0.48	0.73	*100%*
Flowback	147,813	87,850	*68%*	282,984	207,742	*36%*
Price for Flowback/bbl	1.25	0.99	*26%*	1.17	1.15	*2%*
Recovered Oil	332,728	278,800	*19%*	1,058,392	949,468	*11%*
Price for Oil/bbl	67.60	73.52	*-8%*	68.19	83.73	*-19%*
Other Income	0	0	*0%*	0	0	*0%*
Total Revenue	784,570	620,211	*27%*	2,588,465	2,223,322	*16%*
Total Revenue/bbl.	1.08	1.09	*-1%*	0.94	0.93	*1%*
Operating Expenses	406,412	325,793	*25%*	1,517,666	1,157,777	*31%*
Operating Income	$378,158	$294,418	*28%*	$1,070,799	$1,065,545	*0%*

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 28% to $378,158 from $294,418 for Q4 2022 due to increased fluid disposal and recovered oil sales. For the year ended December 31, 2023, operating income remained relatively flat at $1,070,799 compared to $1,065,5458 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 16% to $2,588,465 from $2,223,322 for 2022. This increase in revenues is mainly due to fluid disposal revenues increasing 20% to $1,530,073 for the 2023 year from $1,273,854 for 2022, with volumes increasing 15% and pricing for trucked-in-water increasing by 9%. Recovered oil sales for the current year increased 11% to $1,058,392 from $949,468 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 $784,570 from $620,211 for Q4 2022, mostly due to recovered oil sales increasing by $54,000 with the 30% increase in oil volumes more than offsetting the lower oil pricing. Q4 2023 fluid disposal revenues increased 32% to $451,842 from $341,411 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 31% to $1,517,666 (or $0.55 per barrel) from $1,157,777 (or $0.49 per barrel) for 2022. The increase is mainly due to repairs and maintenance expenses increasing by $322,000 (or $0.12 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 32% to $406,142 ($0.56 per barrel) from $325,793 (or $0.57 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 ($11,000) and to the injection line ($10,000).

Ross SWD

Ross Facility (amounts in USD except volumes)	Q4 2023	Q4 2022	Change	YE 2023	YE 2022	Change
Production Water - Trucked	10,710	6,962	*54%*	11,181	5,321	*110%*
Flowback	1,133	1,872	*-39%*	2,593	1,258	*106%*
Total Fluids Disposed	11,842	8,834	*34%*	13,774	6,579	*109%*
Oil Sales	6,998	4,352	*61%*	29,706	18,763	*58%*
Revenue:						
Production Water - Trucked	$500,312	$320,087	*56%*	$2,056,130	$969,610	*112%*
Price for Production Water/bbl	0.51	0.50	*2%*	0.50	0.50	*1%*
Flowback	135,833	216,219	*-37%*	1,072,840	588,127	*82%*
Price for Flowback/bbl	1.30	1.26	*4%*	1.13	1.28	*-12%*
Recovered Oil	473,018	327,897	*44%*	2,049,967	1,611,539	*27%*
Price for Oil/bbl	67.59	75.34	*-10%*	69.01	85.89	*-20%*
Other Income	0	0	*100%*	0	0	*100%*
Total Revenue	1,109,163	864,203	*28%*	5,178,937	3,169,276	*63%*
Total Revenue/bbl.	1.02	1.06	*-4%*	$1.03	$1.32	*-22%*
Operating Expenses	671,660	411,099	*63%*	2,535,600	1,212,827	*109%*
Operating Income (Loss)	$437,503	$453,104	*-3%*	$2,643,337	$1,956,449	*35%*

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 35% to $2,643,337 from $1,956,449 for 2022. This increase was due to a two-fold increase in water disposal revenues and a 27% increase in recovered oil revenues, both of which combined more than offset increased operating costs (up 109%). Please see "*Operating Costs and Royalties*" below.

Q4 2023 operating income decreased 3% to $437,503 from $453,104 for Q4 2022 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 63% to $5,178,937 from $3,169,276 for 2022. Fluid disposal revenues more than doubled to $3,128,970 for 2023 from $1,557,737 for 2022, approximately matching the 109% increase in disposal volumes. Recovered oil revenues increased 27% to $2,049,967 for 2023 from $1,611,539 for 2022, as the increased oil volumes (up 58%) were partially offset by lower oil pricing (down 20%).

Q4 2023 total revenues increased 28% to $1,109,163 from $864,203 for Q4 2022. Fluid disposal revenues increased 19% to $636,145 from $536,306 between the two three-month periods, due to the higher disposal volumes (up 34%). Recovered oil revenues increased 44% to $473,018 for Q4 2023 from $327,897 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 $2,535,600 (or $0.50 per barrel) from $1,212,827 (or $0.51 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 related solids disposal costs.

Q4 2023 operating costs increased 63% to $671,660 (or $0.62 per barrel) from $411,099 (or $0.51 per barrel) for Q4 2022. Utilities, chemical and filter costs increased by $0.05 per barrel between the two quarters due to the significant increase in disposal volumes while repairs and maintenance accounted for $0.02 per barrel of the cost increase and labour costs accounted for $0.03 per barrel.

Capital Projects:

For the twelve months ended December 31, 2023, capital projects at this facility totaled $309,000 and included upgrades to the de-sand tanks along with piping changes ($139,000), installation costs for the second rental pump ($58,000) and a rural water connection ($47,000). 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

Alexander Facility (Amounts in USD except volumes)

	Q4 2023	Q4 2022	Change	YE 2023	YE 2022	Change
Class 1 Water-Trucked	470	223	*111%*	386	162	*139%*
Total Fluids Disposed	470	223	*111%*	386	162	*139%*
Class 1 Water	43,207	20,509	*111%*	140,748	58,948	*139%*
Revenue:						
Class 1 Water	$270,545	$91,009	*197%*	$772,527	$286,328	*170%*
Price for Class 1 Water	6.26	4.44	*41%*	5.49	4.86	*13%*
Total Revenue	270,545	91,009	*197%*	772,527	286,328	*170%*
Total Revenue/bbl.	6.26	4.44	*41%*	5.49	4.86	*13%*
Operating Expenses	132,093	59,789	*121%*	425,535	253,840	*68%*
Operating Income (Loss)	$ 138,452	$ 31,220	*343%*	$ 346,992	$ 32,488	*968%*

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.

Operating Income:

Higher disposal volumes resulted in operating income for the three and twelve months ended December 31, 2023, increasing significantly to $138,452 and $346,992, respectively, from $31,220 and $32,488 for the comparable 2022 periods.

Environmental and Safety:

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

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 months ended December 31, 2023, total revenue tripled to $270,545 from $91,009 for Q4 2023, while disposal volumes more than doubled. Due to improving market conditions, pricing increases were implemented in Q4 2023.

For the twelve months ended December 31, 2023, total revenue increased 170% to $772,527 from $286,328 for the 2022 year due to the 139% increase in disposal volumes and a 13% increase in pricing.

Operating Costs and Royalties:

For the three and twelve months ended December 31, 2023, operating costs and royalties increased 121% and 68% respectively to $132,093 and $425,535, from $59,789 and $253,840 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

Tioga (Volumes 100%, dollar amounts at 47% in USD)						
	Q4 2023	**Q4 2022**	**Change**	**YE 2023**	**YE 2022**	**Change**
Production Water-Trucked	9,176	2,488	*269%*	5,969	3,944	*51%*
Production Water-Piped	499	260	*92%*	150	1,082	*100%*
Flowback	2,170	1,080	*101%*	1,897	1,248	*52%*
Total Fluids Disposed	11,844	3,828	*209%*	8,016	6,273	*28%*
Oil Sales	6,502	1,803	*261%*	24,681	15,709	*57%*
Revenue:						
Production Water - Trucked	$197,822	$53,335	*271%*	$493,098	$337,860	*46%*
Price for Prodn. Water-Trucked/	0.50	0.50	*1%*	0.48	0.50	*-4%*
Production Water - Piped	11,215	5,852	*92%*	13,401	96,491	*100%*
Price for Prodn. Water Piped/bbl	0.52	0.52	*0%*	0.52	0.52	*0%*
Flowback	115,150	51,401	*124%*	332,726	252,528	*32%*
Price for Flowback/bbl	1.23	1.10	*12%*	1.02	1.18	*-13%*
Recovered Oil	199,036	64,436	*209%*	792,127	656,664	*21%*
Price for Oil/bbl	65.13	76.04	*-14%*	68.29	88.94	*-23%*
Other	0	0	*100%*	0	0	*100%*
Total Revenue	$523,222	$175,024	*199%*	1,631,352	1,343,543	*21%*
Total Revenue/bbl.	1.02	1.06	*-3%*	1.19	1.25	*-5%*
Operating Expenses	279,422	153,218	*82%*	916,552	583,309	*57%*
Operating Income	$243,800	$21,806	*1018%*	$714,800	$760,235	*-6%*

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 $243,800 from $21,806 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 relatively flat at $714,800 compared to $760,235 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 $523,222 from $175,024 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 21% to $1,631,352 from $1,343,543 for the 2022 year. Fluid disposal revenues for 2023 increased 22% to $839,225 from $686,879 for the 2022 year, as a result of a 28% increase in disposal volumes although disposal pricing decreased 4% over the same period. Recovered oil volumes were up 57% with oil sales revenues up 21% to $792,127 from $656,664, 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 $185,300 (or $0.13 per barrel), net to White Owl, compared to $22,100 (or $0.02 per barrel) in 2022.

Q4 2023 operating costs and royalties increased 82% to $279,422 (or $0.55 per barrel) from $153,218 (or $0.93 per barrel) for Q4 2022. Disposal volumes were significantly lower in Q4 2022, resulting in higher unit cost of $0.93 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 57% to $916,552 (or $0.67 per barrel) from $583,309 (or $0.54 per barrel) for 2022. The increase of $0.13 per barrel in unit operating cost is mainly due to higher solids disposal costs which accounted for $0.12 per barrel (or $163,000) of the increase. Higher year-over-year equipment repairs and maintenance accounted for $0.03 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

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

	Q4 2023	Q4 2022	Change	YE 2023	YE 2022	Change
Production Water-Trucked	7,304	1,063	*587%*	6,097	1,410	*332%*
Production Water-Piped	3,345	3,984	*-16%*	3,609	4,120	*-12%*
Flowback	257	73	*255%*	300	70	*327%*
Total Fluids Disposed	10,906	5,120	*113%*	10,005	5,601	*79%*
Oil Sales	1,798	429	*319%*	5,862	1,441	*307%*
Revenue:						
Production Water-Trucked	$ 118,232	$ 17,399	*580%*	$ 389,469	$ 92,439	*321%*
Price for Production Water/bbl	0.50	0.52	*-3%*	0.50	0.55	*-9%*
Production Water-Piped	56,009	65,019	*-14%*	239,740	257,214	*-7%*
Price for Production Water/bbl	0.52	0.52	*0%*	0.52	0.52	*0%*
Flowback	10,843	2,559	*324%*	47,849	12,560	*281%*
Price for Flowback/bbl	1.31	1.11	*18%*	1.25	1.48	*-16%*
Recovered Oil	42,011	10,616	*296%*	137,452	38,785	*254%*
Price for Oil/bbl	66.76	73.28	*-9%*	66.99	81.86	*-18%*
Total Revenue	227,096	95,593	*138%*	814,510	400,999	*103%*
Total Revenue/bbl.	0.65	0.59	*9%*	0.64	0.60	*7%*
Operating Expenses	180,383	99,584	*81%*	649,152	324,474	*100%*
Operating Income (loss)	$ 46,712	$ (3,991)	*-1270%*	$ 165,358	$ 76,525	*116%*

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

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

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

Environmental and Safety:

In the 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 $14,000.

Operating Income:

Operating income for the three and twelve months ended December 31, 2023, increased to $46,712 and $165,358 from an operating loss of $3,991 and operating income of $76,525 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 $227,096 and $814,510, respectively, from $95,593 and $400,999 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 also more than doubled to $185,084 from $84,977 for Q4 2022, while oil revenues, despite a 9% decrease in the netback oil price, increased to $42,011 from $10,616 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 87% to $677,058 from $362,213 for the prior year. Higher recovered oil volumes led to a significant increase in oil revenues to $137,452 from $38,785, despite an 18% decrease in the netback oil price.

Operating Costs and Royalties:

Operating costs totaled $180,383 (or $0.51 per barrel) for Q4 2023 compared to $99,584 (or $0.62 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 doubled to $649,152 (or $0.51 per barrels) from $324,474 (or $0.48 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 $66,000 compared to $6,000 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 offload 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	**5**	38
Depreciation	**-**	(5)	**31**	25
Impairment	**-**	1,343	**-**	1,343
Finance costs	**-**	2	**8**	71
Gain on disposition of subsidiary	**-**	-	**(566)**	
Gain on disposal of property plant and equipment	**-**	(1,388)	**-**	(1,401)
(Gain) loss on abandonment	**-**	-	**(10)**	111
	-	52	**(502)**	1,540
Net income (loss) from discontinued operation	-	(48)	**502**	(729)

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.

Sincerely,

On behalf of the Board of Directors,

Owen Pinnell, P.Eng.
President and CEO

NON-GAAP MEASURES

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

Cautionary Statements:

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

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

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

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

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

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

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