Condensed Consolidated Interim Financial Statements of

WHITE OWL ENERGY SERVICES INC.

For the three months ended March 31, 2024 and 2023

(Unaudited) (Expressed in thousands of Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

As per the disclosure requirements of National Instrument 51-102, Part 4, subsection 4.3(3)(a), this note is to inform readers that White Owl Energy Services Inc. (the "Company") has elected not to review these condensed consolidated interim financial statements and notes with its auditors.

The accompanying condensed consolidated interim financial statements of White Owl Energy Services Inc. as at and for the three months ended March 31, 2024 have been internally prepared by, and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

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

	March 31, 2024	December 31, 2023
ASSETS		
CURRENT		
Cash and cash equivalents	**1,121**	1,810
Trade and other receivables (Note 13)	**3,356**	3,365
Promissory note (Note 15)	**23**	23
Deposits and prepaid expenses	**256**	245
	4,756	5,443
Property, plant and equipment (Note 4)	**22,706**	22,070
Intangible assets (Note 5)	**48**	63
Total assets	**27,510**	27,576
LIABILITIES		
CURRENT		
Trade and other payables	**2,109**	3,646
Current portion of long-term debt (Note 7)	**1,595**	1,533
Current portion of lease liabilities (Note 8)	**112**	119
Current portion of deferred consideration (Note 9)	**115**	112
Current portion of decommissioning liabilities (Note 10)	**10**	10
	3,941	5,420
Long-term debt (Note 7)	**1,789**	2,142
Lease liabilities (Note 8)	**32**	45
Deferred consideration (Note 9)	**1,120**	1,122
Decommissioning liabilities (Note 10)	**1,298**	1,309
Total liabilities	**8,180**	10,038
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital	**33,471**	33,471
Contributed surplus	**1,651**	1,645
Accumulated other comprehensive income	**5,357**	4,452
Deficit	**(21,149)**	(22,030)
Total shareholders' equity	**19,330**	17,538
Total liabilities and shareholders' equity	**27,510**	27,576

Subsequent events (Note 18)

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

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

	Three months ended March 31,	
	2024	2023
CONTINUING OPERATIONS		
REVENUE (Note 11)	**5,279**	4,352
EXPENSES		
Operating costs	**2,668**	2,429
General and administrative	**517**	511
Depreciation (Note 4)	**525**	471
Amortization (Note 5)	**16**	16
Finance costs (Note 12)	**179**	248
Foreign exchange loss (gain)	**483**	(1)
Share-based payments	**6**	18
Gain on disposal of property, plant and equipment – net (Note 4)	**-**	(9)
	4,394	3,683
NET INCOME BEFORE INCOME TAXES	**885**	669
INCOME TAXES	**4**	4
NET INCOME FROM CONTINUING OPERATIONS	**881**	665
NET LOSS FROM DISCONTINUED OPERATION (Note 3)	**-**	(56)
NET INCOME	**881**	609
OTHER COMPREHENSIVE INCOME (LOSS)		
Exchange gain (loss) on translating foreign operations	**1,000**	(28)
Change in fair value of net investment hedges (Note 13)	**(95)**	9
	905	(19)
NET COMPREHENSIVE INCOME	**1,786**	590

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

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

	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance at December 31, 2022	33,471	1,599	5,269	(25,837)	14,502
Net income	-	-	-	609	609
Other comprehensive loss	-	-	(19)	-	(19)
Share-based payments	-	18	-	-	18
Balance at March 31, 2023	33,471	1,617	5,250	(25,228)	15,110
Balance at December 31, 2023	33,471	1,645	4,452	(22,030)	17,538
Net income	**-**	**-**	**-**	**881**	**881**
Other comprehensive income	**-**	**-**	**905**	**-**	**905**
Share-based payments	**-**	**6**	**-**	**-**	**6**
Balance at March 31, 2024	**33,471**	**1,651**	**5,357**	**(21,149)**	**19,330**

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

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

	Three months ended March 31, 2024	2023
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net income	**881**	609
Adjustments for non-cash items:		
Depreciation (Note 4)	**525**	502
Amortization (Note 5)	**16**	16
Accretion of decommissioning obligations (Note 10)	**14**	42
Interest on lease liabilities (Note 8)	**3**	4
Accretion of transaction costs (Note 7)	**48**	38
Unrealized foreign exchange loss (gain)	**480**	(8)
Gain on disposal of property, plant and equipment – net (Note 4)	**-**	(9)
Share-based payments	**6**	18
Government abandonment grant in-kind (Note 16)	**-**	(10)
Abandonment expenditures (Note 10)	**-**	(159)
Change in non-cash working capital (Note 17)	**(996)**	(198)
Cash from operating activities	**977**	845
INVESTING		
Additions to property, plant and equipment (Note 4)	**(677)**	(93)
Proceeds from the sale of property, plant and equipment (Note 4)	**-**	7
Change in non-cash working capital (Note 17)	**(550)**	(1,967)
Cash used in investing activities	**(1,227)**	(2,053)
FINANCING		
Proceeds from operating loan (Note 6)	**-**	310
Repayment of operating loan (Note 6)	**-**	(310)
Repayment of long-term debt (Note 7)	**(433)**	(434)
Repayment of lease liabilities (Note 8)	**(29)**	(20)
Change in non-cash working capital (Note 17)	**(6)**	34
Cash used in financing activities	**(468)**	(420)
Foreign exchange (gain) loss on cash held in foreign currency	**29**	(5)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(689)**	(1,633)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**1,810**	6,809
CASH AND CASH EQUIVALENTS, END OF PERIOD	**1,121**	5,176

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

1. CORPORATE INFORMATION

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

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

2. BASIS OF PRESENTATION

These condensed consolidated interim financial statements ("consolidated financial statements") have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information or footnote disclosure normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been condensed or omitted.

The consolidated financial statements include the financial statements of White Owl, its subsidiaries and the Company's proportionate share of the accounts of its joint operations.

These consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023.

The consolidated financial statements have been prepared using the same accounting policies and methods as those used in the audited consolidated financial statements for the year ended December 31, 2023. The consolidated financial statements have been presented in Canadian dollars, which is also the Company's functional currency, unless otherwise indicated.

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 28, 2024.

3. DISCONTINUED OPERATION

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

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

Net loss from discontinued operation

($000's)	Three months ended March 31, **2024**	2023
Revenue (Note 11)	**-**	-
Expenses		
Operating costs	**-**	28
General and administrative	**-**	2
Depreciation (Note 4)	**-**	31
Finance costs (Note 12)	**-**	5
Government abandonment grant in-kind (Note 16)	**-**	(10)
	-	56
Net loss from discontinued operation	**-**	(56)

Change in cash and cash equivalents from discontinued operation

($000's)	Three months ended March 31, **2024**	2023
Cash flow used in operating activities	**-**	(219)
Cash flow from (used in) investing activities	**-**	-
Cash flow from financing activities	**-**	6
Net decrease in cash and cash equivalents from discontinued operation	**-**	(213)

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

Effective May 24, 2023, the Company disposed of its wholly owned subsidiary White Owl Energy Services Ltd. for nominal cash consideration of $10. In addition to the cash consideration, in the event the buyer completes a liquidity event on or before November 24, 2024, the buyer will cause the resulting issuer to issue 1,000,000 resulting issuer shares from treasury to White Owl. As of May 24, 2023 and March 31, 2024, the Company has not recorded a contingent asset with regard to the 1,000,000 resulting issuer shares as the outcome is uncertain. This subsidiary held the remaining oil and gas properties at Clairmont. The disposition included cash and cash equivalents, deposits, trade and other receivables, oil and gas property, plant and equipment and the assumption of trade and other payables, promissory note, surface lease liabilities and all decommissioning liabilities associated with the Clairmont oil and gas assets.

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

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

4. PROPERTY, PLANT AND EQUIPMENT

COST

($000's)	Land	Right-of-use assets	Plant & equipment	Disposal wells	Oil and gas properties	Total
Balance at December 31, 2022	764	690	27,021	9,829	1,850	40,154
Additions	-	49	1,877	39	-	1,965
Dispositions	-	(88)	(283)	-	(1,859)	(2,230)
Change in decommissioning costs (Note 10)	-	-	36	(18)	9	27
Foreign exchange effect	(18)	(9)	(668)	(225)	-	(920)
Balance at December 31, 2023	746	642	27,983	9,625	-	38,996
Additions	**-**	**3**	**677**	**-**	**-**	**680**
Change in decommissioning costs (Note 10)	**-**	**-**	**(36)**	**(21)**	**-**	**(57)**
Foreign exchange effect	**18**	**8**	**684**	**231**	**-**	**941**
Balance at March 31, 2024	**764**	**653**	**29,308**	**9,835**	**-**	**40,560**

ACCUMULATED DEPRECIATION AND IMPAIRMENT

($000's)	Land	Right-of-use assets	Plant & equipment	Disposal wells	Oil and gas properties	Total
Balance at December 31, 2022	(156)	(490)	(9,519)	(5,047)	(1,850)	(17,062)
Depreciation	-	(94)	(1,428)	(479)	(9)	(2,010)
Dispositions	-	88	286	-	1,859	2,233
Impairment – US assets	(1)	-	(469)	-	-	(470)
Foreign exchange effect	2	7	249	125	-	383
Balance at December 31, 2023	(155)	(489)	(10,881)	(5,401)	-	(16,926)
Depreciation	**-**	**(23)**	**(382)**	**(120)**	**-**	**(525)**
Foreign exchange effect	**(4)**	**(6)**	**(265)**	**(128)**	**-**	**(403)**
Balance at March 31, 2024	**(159)**	**(518)**	**(11,528)**	**(5,649)**	**-**	**(17,854)**

CARRYING AMOUNTS

($000's)	Land	Right-of-use asset	Plant & equipment	Disposal wells	Oil and gas properties	Total
Balance at December 31, 2023	591	153	17,102	4,224	-	22,070
Balance at March 31, 2024	**605**	**135**	**17,780**	**4,186**	**-**	**22,706**

Impairment

March 31, 2024

At March 31, 2024, White Owl evaluated its property, plant and equipment for indicators of any potential impairment or related reversal. As a result of this assessment, no indicators were identified and no impairment or related reversal was recorded on White Owl's property, plant and equipment assets.

December 31, 2023

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

No indicators were identified and no impairment or related reversal was recorded on North Dakota CGUs' property, plant and equipment assets.

Dispositions

During the three months ended March 31, 2024, the Company disposed of property, plant and equipment for cash consideration of $nil (2023 - $7,251). The dispositions resulted in a gain of $nil (2023 - $9,493) recognized in comprehensive income.

5. INTANGIBLE ASSETS

($000's)	
Balance at December 31, 2022	129
Amortization	(64)
Foreign exchange effect	(2)
Balance at December 31, 2023	63
Amortization	**(16)**
Foreign exchange effect	**1**
Balance at March 31, 2024	**48**

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

6. 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 March 31, 2024, the Company's borrowing limit under the operating loan was US$1,000,000 (December 31, 2023 - US$1,000,000). The Company had drawn $nil on the operating loan at March 31, 2024 (December 31, 2023 – $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 March 31, 2024**	Position at December 31, 2023
Cash Flow Coverage Ratio	**8.08**	7.37
Debt to Tangible Net Worth Ratio	**0.42**	0.57
Current Ratio	**1.21**	1.00

As at December 31, 2023, the Company was compliant with the Cash Flow Coverage Ratio and the Debt to Tangible Net Worth Ratio financial covenants. During the twelve months ended December 31, 2023, the Company used its excess cash and cash equivalents to make additional principal prepayments on long-term debt as part of a de-leveraging strategy (see Note 7). 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.

As at March 31, 2024, the Current Ratio financial covenant is 1.21, which is below the lender's requirement of 1.25. As at March 31, 2024, the lender requires the Company to return to compliance by September 30, 2024.

7. 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. The Company incurred $550,916 in transaction costs related to the issuance which will be amortized over the term of the loan using the effective interest method.

During the year ended December 31, 2023, the Company used its excess cash and cash equivalents to make additional principal prepayments on long-term debt as part of a de-leveraging strategy. As a result, the Company made total principal payments of $5,596,344 (US$4,165,322) for the year ended December 31, 2023, comprising $2,407,775 (US$1,783,280) of scheduled principal payments and $3,188,569 (US$2,382,042) of principal prepayments in accordance with the loan agreement. The additional principal payments resulted in the Company's operating loan Current Ratio financial covenant being less than the minimum requirement as at December 31, 2023, which allows the senior lender to demand full repayment of the outstanding principal (See Note 6). However, as at December 31, 2023 and March 31, 2024, the senior lender has agreed to waive the full repayment of the outstanding principal to just the monthly principal payments required under the loan agreement of US$106,940 for a total of US$1,283,280 for the twelve months ended December 31, 2024.

($000's)	
Balance at December 31, 2022	9,244
Principal payments	(5,596)
Accretion of transaction costs	167
Foreign exchange effect	(140)
Balance at December 31, 2023	3,675
Principal payments	**(433)**
Accretion of transaction costs	**48**
Foreign exchange effect	**94**
Balance at March 31, 2024	**3,384**
Less current portion	(1,595)
Total non-current portion	1,789

The financial covenant related to the loan agreement is as follows:

Covenant description	Position at March 31, 2024	Position at December 31, 2023
Fixed charge coverage ratio	**1.32**	1.56

As at March 31, 2024 and December 31, 2023, except as noted above, the Company was compliant with all covenants provided for in the loan agreement.

8. LEASE LIABILITIES

($000's)	
Balance at December 31, 2022	259
Recognized	49
Principal payments	(102)
Disposed (Note 3)	(56)
Interest expense	16
Foreign exchange effect	(2)
Balance at December 31, 2023	164
Principal payments	**(29)**
Interest expense	**3**
Foreign exchange effect	**6**
Balance at March 31, 2024	**144**
Less current portion	(112)
Total non-current portion	32

The lease liabilities are payable as follows:

($000's)	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	120	8	112
Between one and five years	33	1	32
Five years and greater	-	-	-
Balance at March 31, 2024	**153**	**9**	**144**

During the three months ended March 31, 2024, the Company recognized $2,620 (2023 - $4,082) of interest expense from lease liabilities.

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

	Three months ended March 31,	
($000's)	**2024**	2023
Equipment	**4**	5
Office leases	**19**	12
Total depreciation expense – right-of-use assets	**23**	17

9. DEFERRED CONSIDERATION

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

($000's)	
Balance at December 31, 2022	1,379
Recognized	(114)
Foreign exchange effect	(31)
Balance at December 31, 2023	1,234
Recognized	**(29)**
Foreign exchange effect	**30**
Balance at March 31, 2024	**1,235**
Less current portion	(115)
Total non-current portion	1,120

10. DECOMMISSIONING LIABILITIES

($000's)	
Balance at December 31, 2022	4,106
Accretion	98
Change in estimate	17
Disposed (Note 3)	(2,597)
Abandonment	(271)
Foreign exchange effect	(34)
Balance at December 31, 2023	1,319
Accretion	**14**
Change in estimate	**(57)**
Foreign exchange effect	**32**
Balance at March 31, 2024	**1,308**
Less current portion	(10)
Total non-current portion	1,298

The Company's decommissioning liabilities were estimated by management based on the Company's estimated costs to remediate, reclaim and abandon the Company's facilities and estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of its decommissioning obligations at March 31, 2024 based on a total undiscounted future liability of $2,587,915 (December 31, 2023 – $2,538,727). These costs are expected to be incurred in approximately one to 16 years (December 31, 2023 – one to 16 years). The Company used a risk-free interest rate at March 31, 2024 of 4.45% (December 31, 2023 – 4.20%) and an inflation rate of 2.00% (December 31, 2023 – 2.00%) to calculate the net present value of its decommissioning liabilities.

During the three months ended March 31, 2023, the Company incurred $158,881 of abandonment costs related to phase 1 and phase 2 environmental site assessment work for the Clairmont oil and gas wells.

11. REVENUE

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

	Continuing operations Three months ended March 31,		Discontinued operation (Note 3) Three months ended March 31,		Total Three months ended March 31,	
($000's)	**2024**	2023	**2024**	2023	**2024**	2023
Recovered oil sales	**2,311**	1,696	**-**	-	**2,311**	1,696
Water disposal and processing services	**2,857**	2,568	**-**	-	**2,857**	2,568
Other revenue	**111**	88	**-**	-	**111**	88
Total revenue	**5,279**	4,352	**-**	-	**5,279**	4,352

12. FINANCE COSTS

	Continuing operations Three months ended March 31,		Discontinued operation (Note 3) Three months ended March 31,		Total Three months ended March 31,	
($000's)	**2024**	2023	**2024**	2023	**2024**	2023
Interest on long-term debt	**105**	190	**-**	-	**105**	190
Interest on promissory notes and loans payable	**-**	-	**-**	6	**-**	6
Interest on lease liabilities (Note 8)	**3**	3	**-**	1	**3**	4
Accretion of decommissioning obligations (Note 10)	**14**	14	**-**	28	**14**	42
Accretion of transaction costs (Note 7)	**48**	38	**-**	-	**48**	38
Interest (income) expense, bank charges and other	**9**	3	**-**	(30)	**9**	(27)
Total finance costs	**179**	248	**-**	5	**179**	253

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Net investment in foreign operations

The Company hedges its net investment in foreign operations with US dollar denominated debt that has a carrying value excluding unamortized transaction costs of $3,580,883 (US$2,642,718) at March 31, 2024 (December 31, 2023 - $3,919,575 (US$2,963,538)). No hedge ineffectiveness was recognized during the three months ended March 31, 2024 and 2023.

Financial instruments and risk management

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

Risk management is carried out by senior management.

Fair values

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

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

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

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

Credit risk

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

The Company manages its exposure to credit risk through standard credit granting procedures and short payment terms. The Company attempts to monitor the financial conditions of its customers and the industries in which they operate. The Company's maximum exposure to credit risk at March 31, 2024 was the total of cash and cash equivalents, trade and other receivables and promissory note receivable of $4,499,584 (December 31, 2023 - $5,197,591). The Company believes that there is no unusual exposure associated with the collection of these trade and other receivables and promissory note receivable. As at March 31, 2024, the Company has an allowance for doubtful accounts of $nil (December 31, 2023 - $nil).

Pursuant to the White Owl Epping Joint Venture Agreement ("Epping Agreement") dated July 18, 2018, White Owl as operator is responsible for the payment and discharge of all expenses of the joint venture and is entitled to be reimbursed for these expenses. Under the Epping Agreement, the Company will be reimbursed for all direct operating costs and will be paid an operating fee of 8% of the cost of operations and a fee of 3% of capital expenditures. As at March 31, 2024, trade and other receivables includes $nil (December 31, 2023 - $51,122) in amounts invoiced to the joint venture owners for their proportionate share of operating losses and capital expenditures of the facility, while trade and other payables includes $179,987 (December 31, 2023 - $nil) in amounts payable for operating income and capital expenditures of the facility.

The aging of trade and other receivables is as follows:

($000's)	**Current**	**30-60 days**	**60-90 days**	**90+days**	**Total**
	2,187	1,023	41	105	3,356

14. CAPITAL MANAGEMENT

The Company's objective is to ensure adequate sources of capital are available to carry out its planned capital program, to achieve operational growth and increased cash flow so as to sustain future development of the business and to maintain shareholder confidence. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets. Management considers capital to be the Company's operating loan, lease liabilities, long-term debt and shareholders' equity as the components of capital to be managed. In order to maintain or adjust the capital structure, the Company may issue shares, raise debt and/or adjust its capital spending to manage its projected debt levels. There has been no change in how the Company manages its capital during the three months ended March 31, 2024.

The Company strives to manage its capital to meet the Company's objective and maintain compliance with the financial covenants contained within its debt facilities (see Note 6 & 7).

The Company's capital structure is as follows:

($000's)	**March 31, 2024**	December 31, 2023
Lease liabilities	**144**	164
Long-term debt	**3,384**	3,675
Total shareholders' equity	**19,330**	17,538
	22,858	21,377

15. RELATED PARTY TRANSACTIONS

At March 31, 2024, the Company has a $22,500 (December 31, 2023 - $22,500) promissory note receivable from an officer of the Company. The unsecured promissory note is due on demand and bears interest at 3% per annum.

At March 31, 2024, the Company has recorded $23,986 (December 31, 2023 - $47,736) in amounts owing from the Tioga Joint Venture. These amounts have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties and is equal to fair value.

At March 31, 2024, certain management and directors own 1.04% (December 31, 2023 – 1.04%) of the Tioga SWD Facility and 5.54% (December 31, 2023 – 5.54%) of the Epping SWD Facility. These transactions with related parties have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Management and directors purchased these ownership interests at fair value.

16. GOVERNMENT ASSISTANCE

The Government of Alberta's SRP provides grant funding through service providers to abandon or remediate oil and gas sites. For the three months ended March 31, 2024, the Company recognized $nil (2023 - $10,000) for SRP grants for prior period decommissioning liability activities completed. The benefit of the in-kind grant is recognized in comprehensive income.

17. CHANGES IN NON-CASH WORKING CAPITAL

($000's)	**Three months ended March 31, 2024**	2023
Trade and other receivables	**90**	(331)
Deposits and prepaid expenses	**(7)**	1
Trade and other payables	**(1,607)**	(1,772)
Deferred consideration	**(28)**	(29)
	(1,552)	(2,131)
Allocated to:		
Operating	**(996)**	(198)
Investing	**(550)**	(1,967)
Financing	**(6)**	34
	(1,552)	(2,131)

18. SUBSEQUENT EVENTS

On April 12, 2024, an executive and director of the Company exercised 1,000,000 options at an exercise price of $0.05 for total proceeds to the Company of $50,000.

On April 24, 2024, the Company signed the Killdeer Joint Venture Agreement ("Agreement") with the transaction scheduled to close on June 1, 2024. Under the terms of the Agreement, White Owl will acquire a 25% working interest in the Killdeer Saltwater Facility ("Facility") in the North Dakota Bakken for an investment of US$0.5 million. White Owl will earn 40% of the net operating income of the Facility until its investment of US$0.5 million is recovered and will earn 25% of the net operating income of the Facility thereafter.