May 28, 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 ended March 31, 2024.

FIRST QUARTER ENDED MARCH 31, 2024, HIGHLIGHTS

Highlights for the three months ended March 31, 2024, are summarized as follows:

- Q1 2024 EBITDA from continuing operations is $2,094,000, up 48% from $1,412,000 for Q1 2023, mainly due to stronger recovered oil sales volumes which increased 43% to 26,524 barrels from 18,539 barrels for Q1 2023.
- The Corporation's outstanding bank loan balance is $3,580,883 (US$2,642,718) as of March 31, 2024 (before transaction costs), down 9% from $3,919,575 (US$2,963,538) at December 31, 2023.
- The Corporation maintains a conservative trailing twelve-month net debt to EBITDA ratio which improved to 0.14:1.00 as at March 31, 2024 from 0.33:1.00 as at December 31, 2023.
- For the three months ended March 31, 2024, total revenues from continuing operations increased 21% to $5,279,000 from $4,352,000 for Q1 2023, as oil sales revenue increased 36% to $2,311,000 from $1,696,000 for Q1 2023. Fluid disposal revenues increased 11% to $2,857,000 for Q1 2024 from $2,568,000 for Q1 2023, as disposal volumes increased 5% to 41,359 barrels per day ("bpd") from 39,504 bpd for Q1 2023 and disposal pricing increased 5% between the two quarters.
- For the three months ended March 31, 2024, operating costs increased 4% to $0.71 per barrel from $0.68 per barrel, mainly due to higher energy, labour costs and inflationary pressures. Q1 2024 operating costs per barrel have decreased 7% from $0.76 per barrel for the year ended December 31, 2023.
- The net operating income margin for Q1 2024 improved to 49% from 42% for the twelve months ended December 31, 2023, due to the strong recovered oil revenues in the period.
- The average realized net oil price ("netback price") received for White Owl's recovered oil volumes for Q1 2024 decreased 5% to US$64.58 per barrel from US$67.64 per barrel for Q1 2023. The negative North

Dakota differential of US$3.00 per barrel impacted the netback price for Q1 2024, while for Q1 2023, the North Dakota differential was a positive US$1.20 per barrel and improved the netback price.

- Q1 2024 operating and financial results for the Class 1 non-hazardous wastewater disposal facility at Alexander improved, with disposal volumes totaling 16,610 barrels for the quarter, up significantly from 1,000 barrels in Q1 2023. 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. Q1 2024 operating income for Alexander totaled $24,000 for Q1 2024 versus an operating loss of $77,000 for Q1 2023.
- Net operating income for White Owl's 35% working interest in Epping tripled to $154,000 for Q1 2024 from $50,000 for Q1 2023 mainly due to stronger recovered oil volume sales (up almost three-fold between the two quarters) and disposal volumes (up 24%). A change in customer mix and a higher proportion of oil-rich flowback volumes led to the higher recovered oil volumes at this facility.
- Capital expenditures for the three months ended March 31, 2024, totaled $677,000 and mainly comprise $480,000 for the New Town SWD upgrade and $161,000 for additions to spare parts inventory. As previously reported, the injection system at the New Town SWD was upgraded with the purchase and installation of a permanent 800-hp horizontal pump to replace the temporary 600-hp rental pump.

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White Owl
ENERGY SERVICES INC.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

($000's, unless otherwise noted)	Three months ended March 31, 2024	2023	%
Continuing operations			
North Dakota operations			
Disposal volumes (Bbls)	**3,763,643**	3,555,392	6%
Recovered oil sales volumes (Bbls)	**26,524**	18,539	43%
Disposal revenue ($ per Bbl)	**$0.76**	$0.72	5%
Oil sales revenue ($ per Bbl)	**$87.11**	$91.49	-5%
Operating costs and royalties ($ per Bbl)	**$0.71**	$0.68	4%
North Dakota disposal and services revenue			
Disposal revenue	**$2,857**	$2,568	11%
Oil sales revenue	**2,311**	1,696	36%
Other revenue	**111**	88	26%
Total revenue – North Dakota continuing operations	**5,279**	4,352	21%
Operating costs and royalties	**(2,668)**	(2,429)	10%
Operating income – North Dakota(1) continuing operations	**$2,611**	$1,923	36%
General and administrative expenses ("G&A")	**(517)**	(511)	1%
EBITDA (1) continuing operations	**$2,094**	$1,412	48%
Other income and expenses			
Depreciation	**(525)**	(471)	11%
Amortization	**(16)**	(16)	0%
Finance costs	**(179)**	(248)	-28%
Gain on disposal of property, plant and equipment - net	**-**	9	n/a
Share-based payments	**(6)**	(18)	-67%
Foreign exchange loss (gain)	**(483)**	1	-48400%
Income tax expense	**(4)**	(4)	0%
Net income from continuing operations	**$881**	$665	32%
Net loss from discontinued operation	**-**	(56)	-100%
Net income	**$881**	$609	45%

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

EBITDA from continuing operations for Q1 2024 increased 48% to $2,094,000 from $1,412,000 for Q1 2023, mainly due to significantly stronger recovered oil sales volumes which increased 43% between the two quarters. As a result, oil sales revenues increased 36% to $2,311,000 for Q1 2024 from $1,696,000 for Q1 2023 and resulted in an improved net operating income margin of 49% for the current quarter versus 42% for the 2023 year.

Supporting the strong first quarter operating and financial result is a relatively stable North Dakota Bakken drilling count which is now at 42 rigs versus 43 rigs a year ago.

With the disposition of the Corporation's Clairmont midstream assets in October 2022 and the Clairmont oil and gas assets in May 2023, the Corporation no longer conducts operations in Canada. As a result, the table above shows the discontinued Alberta operations separately from the continuing North Dakota operations.

North Dakota – Continuing Operations

Operating Income:

Q1 2024 operating income increased 36% to $2,611,000 from $1,923,000 for Q1 2023 as significantly higher recovered oil revenues (up 36%) and fluid disposal revenues (up 11%) were partially offset by increased operating costs (up 10%). Please refer to "*Operating Costs*" below.

Volumes:

For the three months ended March 31, 2024, recovered oil volumes increased 43% to 26,524 barrels for Q1 2024 from 18,539 barrels for Q1 2023, with the Watford City SWD facility accounting for 33% of total Q1 2024 oil volumes versus 19% for the 2023 year. A change in the customer mix led to higher oil volumes at the Watford City facility. The Ross and New Town SWD facilities accounted for 52% of total Q1 2024 oil volumes versus 64% for the 2023 year. The Tioga and Epping SWD facilities, in which the Corporation holds minority interests of 47% and 35% respectively, accounted for 11% and 6%, respectively, of total Q1 2024 oil volumes, compared to 14% and 3%, respectively, for the 2023 year.

Fluid disposal volumes increased 5% to 41,359 bpd for Q1 2024 from 39,504 bpd for Q1 2023. The increase in fluid disposal volumes is mainly due to increased drilling and completion activity around the Corporation's Ross, New Town, Watford and Tioga 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.

Flowback volumes and early production water, which are richer in oil content than produced water and pipeline water, decreased 23% to 2,354 bpd for Q1 2024 from 3,049 bpd for Q1 2023. The decrease is mainly due to very low flowback volumes in January 2024 when well completion activities were suspended by producers due to severe winter storms. The Ross and Tioga SWD facilities accounted for 59% of total flowback volumes for Q1 2024 compared to 79% for the 2023 year. Flowback water commands a higher disposal fee than production water and averaged 8% of fluid disposal volumes for Q1 2024 and for Q1 2023, but down from 11% for the 2023 year.

Non-hazardous industrial water volumes disposed by the Alexander facility are included in total fluid disposal volumes mentioned above and increased sixteen-fold to 16,610 barrels for Q1 2024 from a mere 1,000 barrels for Q1 2023. 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.

Revenue and Pricing:

The 43% increase in recovered oil volumes and the 6% increase in fluid disposal volumes led to Q1 2024 total revenues increasing 21% to $5,279,000 from $4,352,000 for Q1 2023.

Fluid disposal revenues for Q1 2024 increased 11% to $2,857,000 from $2,568,000 for Q1 2023 due to the 5% increase in disposal volumes combining with a 5% increase in fluid disposal pricing. In particular, price increases for flowback water were implemented in Q3 2023 and for non-hazardous industrial wastewater at Alexander in Q4 2023.

Recovered oil sales continue to be a material component of revenues and accounted for 44% of total revenues for the three months ended March 31, 2024, compared to 39% for Q1 2023 and 37% for the 2023 year. The realized net oil price decreased 5% for Q1 2024 versus Q1 2023, as a negative differential more than offset a slight increase in the West Texas Intermediate ("WTI") oil price.

In Q1 2024, the WTI oil price averaged US$76.93 per barrel, down 1% from US $76.11 per barrel for Q1 2023. White Owl's netback oil price is determined as 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 a negative differential for Q1 2024 of US$3.00 per barrel compared to a positive differential of US$1.20 per barrel for Q1 2023. As a result, the Corporation's netback oil price decreased 5% to US$64.58 per barrel for Q1 2024 from US$67.64 per barrel for Q1 2023.

Other revenue which includes interest earned on cash deposits and overhead recoveries from joint venture operations increased 26% to $111,000 for Q1 2024 from $88,000 for Q1 2023 due to increased operating costs and therefore increased overhead recoveries, from the Tioga and Epping joint ventures ("JVs"). Please see Tioga SWD JV Facility and Epping SWD JV Facility on pages 11 and 13, respectively.

Operating Costs and Royalties:

For the three months ended March 31, 2024, operating costs and royalties from continuing operations increased 4% to $0.71 per barrel from $0.68 per barrel for the three months ended March 31, 2023. In terms of dollars, Q1 2024 operating costs and royalties increased 10% to $2,668,000 from $2,429,000 for Q1 2023, mainly due to higher energy costs, labour rate increases and inflation across all cost categories.

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 18.

OPERATING LOCATIONS (dollar amounts in USD except Clairmont):

New Town SWD

New Town Facility (amounts in USD except volumes)

		Q1 2024	Q1 2023	Change
Production Water - Trucked	b/d	13,454	13,017	3%
Flowback	b/d	61	227	-73%
Total Fluids Disposed	b/d	13,515	13,243	2%
Oil Sales	b/qtr, yr	7,045	6,225	13%
Revenue:				
Production Water - Trucked		$581,838	$563,001	3%
Price for Production Water/bbl		0.48	0.48	-1%
Flowback		6,915	20,467	-66%
Price for Flowback/bbl		1.24	1.00	23%
Recovered Oil		452,702	422,918	7%
Price for Oil/bbl		64.26	67.94	-5%
Total Revenue		1,041,455	1,006,386	3%
Total Revenue/bbl.		$0.85	$0.84	0%
Operating Expenses		502,081	533,634	-6%
Operating Income		$539,374	$472,752	14%

Environmental and Safety:

There were no spills, environmental incidents, or safety incidents in the first quarter of 2024 and no incidents in the 2023 year.

Operating Income:

For the three months ended March 31, 2024, operating income increased 14% to $539,374 from $472,752 for Q1 2023, mainly due to higher recovered oil revenues (up 7%), and lower operating costs (down 6%).

Volumes:

While fluid disposal volumes remained relatively flat, recovered oil volumes for the three months ended March 31, 2024, increased 13% to 7,045 barrels from 6,225 barrels for Q1 2023. Oil recovery volumes have increased to a monthly average of 2,300 barrels from a monthly average of 1,900 barrels for the 2023 year and compared to a monthly average of 2,100 for Q1 2023.

For the three months ended March 31, 2024, fluid disposal volumes increased 3% to 13,515 bpd from 13,243 bpd for Q1 2023.

Flowback volumes continue to be weak at this site for two reasons: firstly, there is competitive pressure from an adjoining SWD where the competitor prices flowback disposal at production water prices and secondly, there are relatively long wait times at the New Town SWD, where there are only two high speed unload lanes available. For the three months ended March 31, 2024, flowback volumes averaged 61 bpd (or 3% of the total flowback volumes for the Corporation), compared to 227 bpd (or 7% of total flowback volumes for all sites) for Q1 2023.

Revenues and Pricing:

For the three months ended March 31, 2024, total revenues increased 3% to $1,041,455 from $1,006,386 for Q1 2023. While oil sales revenue increased 7% to $452,702 for Q1 2024 from $422,918 for Q1 2023, fluid disposal revenues remained relatively flat at $588,753 for the current quarter versus $583,468 for the prior year comparable quarter.

Operating Costs and Royalties:

For the three months ended March 31, 2024, operating costs decreased 6% to $502,081 (or $0.41 per barrel) from $533,634 (or $0.45 per barrel) for Q1 2023, mainly due to lower expenses for labour, insurance and solids disposal costs.

Capital Projects:

Capital projects for the three months ended March 31, 2024, totaled $354,497 and mainly comprised the completion of an upgrade to the facility's injection system. This upgrade resulted in the purchase and installation of a permanent 800-hp horizontal pump to replace the temporary 600-hp rental pump. This project is now complete and has resulted in increased plant capacity of approximately 3,000 bpd for a total facility capacity of approximately 20,000 bpd. A new programmable logic controller for the site was also installed in the first quarter.

Watford City SWD

Watford Facility (amounts in USD except volumes)				
		Q1 2024	**Q1 2023**	**Change**
Production Water - Trucked	b/d	8,366	7,966	*5%*
Production Water - Piped	b/d	2	872	*100%*
Flowback	b/d	610	417	*46%*
Total Fluids Disposed	b/d	8,978	9,255	*-3%*
Oil Sales	b/qtr, yr.	8,590	4,305	*100%*
Revenue:				
Production Water - Trucked		$378,778	$358,527	*6%*
Price for Prodn. Water-Trucked/bbl		0.50	0.50	*-1%*
Production Water - Piped		87	37,658	*100%*
Price for Prodn. Water Piped/bbl		0.47	0.48	*100%*
Flowback		71,073	37,842	*88%*
Price for Flowback/bbl		1.28	1.01	*27%*
Recovered Oil		558,677	289,988	*93%*
Price for Oil/bbl		65.04	67.36	*-3%*
Other Income		0	0	*0%*
Total Revenue		1,008,615	724,015	*39%*
Total Revenue/bbl.		1.23	0.87	*42%*
Operating Expenses		349,101	362,331	*-4%*
Operating Income		$659,514	$361,684	*82%*

Environmental and Safety:

There were no spills, environmental incidents, or safety incidents in the first quarter of 2024 and no incidents in the 2023 year.

Operating Income:

Q1 2024 operating income increased 82% to $659,514 from $361,684 for Q1 2023, mainly due to a 93% increase in recovered oil revenues, while fluid disposal revenues increased 3% between the two quarters.

Volumes:

A change in customer mix and increased activity by area producers led to recovered oil sales volumes doubling to 8,590 barrels for Q1 2024 from 4,305 barrels for Q1 2023. At the same time, fluid disposal volumes decreased 3% to 8,978 bpd for the current quarter from 9,255 bpd for the prior year comparable quarter. The increase in oil recovery was a result of increased well completion activity in the area which led to oil rich flowback volumes increasing 46% to 610 bpd from 417 bpd for Q1 2023.

Revenues and Pricing:

For the three months ended March 31, 2024, total revenues increased 39% to $1,008,615 from $724,015 for Q1 2023. This increase in revenues is mainly due to recovered oil revenues increasing 93% to $558,677 for the current quarter from $289,988 for the prior year comparable quarter. Recovered oil volumes increased 100% and the net realized oil price decreased 5%.

Fluid disposal revenues for Q1 2024 increased 4% to $449,938 from $434,027 for Q1 2023 and include flowback revenues which increased 88% to $71,073 for the current quarter from $37,842 for the prior year comparable quarter. The current quarter's flowback revenues reflect price increases of approximately 25%, which were implemented by the Corporation in Q3 2023.

Operating Costs and Royalties:

For the three months ended March 31, 2024, operating costs decreased 4% to $349,101 (or $0.43 per barrel) from $362,331 (or $0.43 per barrel) for Q1 2023. In the current quarter, higher labour costs were offset by lower maintenance and chemical expenses.

Capital Projects:

For the three months ended March 31, 2024, capital projects at this site were minimal.

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Ross SWD

Ross Facility (amounts in USD except volumes)

		Q1 2024	Q1 2023	Change
Production Water - Trucked	b/d	9,360	10,536	-11%
Flowback	b/d	957	1,852	-48%
Total Fluids Disposed	b/d	10,316	12,388	-17%
Oil Sales	b/qtr, yr.	6,524	5,645	16%
Revenue:				
Production Water - Trucked		$431,129	$474,064	-9%
Price for Production Water/bbl		0.51	0.50	1%
Flowback		110,274	170,425	-35%
Price for Flowback/bbl		1.27	1.02	24%
Recovered Oil		419,124	382,164	10%
Price for Oil/bbl		64.24	67.70	-5%
Other Income		0	0	100%
Total Revenue		960,527	1,026,653	-6%
Total Revenue/bbl.		1.02	0.92	11%
Operating Expenses		635,071	532,768	19%
Operating Income (Loss)		$325,456	$493,885	-34%

Environmental and Safety:

There were no spills, environmental incidents, or safety incidents in the first quarter of 2024 and no incidents in all of 2023.

Operating Income:

For the three months ended March 31, 2024, operating income decreased 34% to $325,456 from $493,885 for Q1 2023, as higher recovered oil revenues (up 9%) were more than offset by lower fluid disposal revenues (down 16%) and higher operating costs (up 19%). Please see "*Operating Costs and Royalties*" below.

Volumes:

Recovered oil sales increased 16% to 6,524 barrels for Q1 2024 from 5,645 barrels for Q1 2023, despite a decrease in fluid disposal volumes between the quarters. Recovered oil volumes averaged 2,200 barrels per month for Q1 2024 compared to a monthly average of 1,900 for Q1 2023 and 2,500 for the 2023 year.

Both production water and flowback volumes decreased in Q1 2024 as customers diverted water for reuse in drilling and completion activities. However, the decrease in volumes is expected to be temporary and we are expecting a rebound in disposal volumes at this facility in Q2 2024, once White Owl customers complete drilling programs in the area. For the three months ended March 31, 2024, fluid disposal volumes decreased 17% to 10,316 bpd from 12,388 bpd for Q1 2023.

Revenues and Pricing:

For the three months ended March 31, 2024, a 10% increase in recovered oil revenues was more than offset by a 16% decrease in fluid disposal revenue, resulting in total revenues decreasing 6% to $960,527 from $1,026,653 for Q1 2023. Oil sales revenue increased to $419,124 in the current quarter from $382,164 for Q1 2023, as a 16% increase in oil volumes more than offset a 5% decrease in the net realized oil price.

Fluid disposal revenues decreased 16% to $541,403 for Q1 2024 from $644,489 for Q1 2023, matching the decrease in fluid disposal volumes.

Operating Costs and Royalties:

For the three months ended March 31, 2024, operating costs and royalties increased 19% to $635,071 (or $0.68 per barrel) from $532,768 (or $0.48 per barrel) for Q1 2023. The increase in operating costs is due to several factors. These include the purchase and installation of a replacement gun-barrel tank in February 2024, higher utility costs because of the addition of a second rental injection pump in Q3 2023, as well as increased expenses for labour and filters. In July 2023, the Corporation installed a second rental injection pump to increase the hourly and daily injection capacity of the facility in response to significantly increased daytime trucking and disposal demand. Labour costs increased 20% between the two quarters as the Corporation returned to full staffing combined with pay rate increases implemented at the beginning of the current quarter.

Capital Projects:

For the three months ended March 31, 2024, capital projects at this site were minimal.

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Alexander Class 1 Facility

Alexander Facility (Amounts in USD except volumes)				
		Q1 2024	Q1 2023	Change
Class 1 Water-Trucked	b/d	183	11	*1543%*
Total Fluids Disposed	b/d	183	11	*1543%*
Class 1 Water	b/qtr. yr.	16,610	1,000	*1561%*
Revenue:				
Class 1 Water		$98,436	$6,000	*1541%*
Price for Class 1 Water		5.93	6.00	*-1%*
Total Revenue		98,436	6,000	*1541%*
Total Revenue/bbl.		5.93	6.00	*-1%*
Operating Expenses		80,476	63,178	*27%*
Operating Income (Loss)		$ 17,960	$ (57,178)	*-131%*

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 lead 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 in North Dakota. The alternatives for waste generators are unauthorised disposal in Class 2 facilities or shipping to Class 1 treatment facilities in adjoining states.

Environmental and Safety:

There were no spills, environmental incidents, or safety issues during the fourth quarter of 2023 and no incidents in the remainder of 2023.

Operating Income:

Operating income for the three months ended March 31, 2024, increased to $17,960 from an operating loss of $57,178 for Q1 2023. The receipt of Class 1 volumes, albeit small, during Q1 2024 is positive as the Class 1 business is typically a spring, summer and fall business due to freezing of the fresh water.

Volumes:

For the three months ended March 31, 2024, volumes increased to 16,610 barrels from a mere 1,000 barrels for Q1 2023. Normally disposal volumes in the first and fourth quarter of the year are weak because of freezing winter conditions. Typically, approximately 70% of the annual disposal volumes at this facility are received in the second and third quarters of the year. 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.

Demand for Class 1 disposal in North Dakota, which increased in 2023, now exceeds the injection well capacity, currently limited to approximately 16,000 barrels per month.

Revenues and Pricing:

For the three months ended March 31, 2024, total revenue increased significantly to $98,436 from $6,000 for Q1 2023, due to the increase in disposal volumes. Please see "*Volumes*" above.

Operating Costs and Royalties:

For the three months ended March 31, 2024, operating costs and royalties increased 27% to $80,476 from $63,178 for Q1 2023, mainly due to the increased disposal volumes.

Capital Projects:

There were minimal capital projects for this facility for the three months ended March 31, 2024.

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Tioga SWD JV Facility

Tioga (Volumes 100%, dollar amounts at 47% in USD)		Q1 2024	Q1 2023	Change
Production Water-Trucked	b/d	8,724	3,284	*166%*
Production Water-Piped	b/d	1,228	0	*100%*
Flowback	b/d	941	942	*0%*
Total Fluids Disposed	b/d	10,893	4,226	*158%*
Oil Sales	b/qtr. yr.	6,000	3,825	*57%*
Revenue:				
Production Water - Trucked		$194,259	$67,319	*189%*
Price for Prodn. Water-Trucked/bbl		0.52	0.48	*7%*
Production Water - Piped		27,313	0	*100%*
Price for Prodn. Water Piped/bbl		0.52	0.00	*100%*
Flowback		49,159	38,665	*27%*
Price for Flowback/bbl		1.22	0.97	*26%*
Recovered Oil		182,160	121,017	*51%*
Price for Oil/bbl		64.60	67.32	*-4%*
Other		0	0	*100%*
Total Revenue		$452,891	$227,002	*100%*
Total Revenue/bbl.		0.97	1.27	*-23%*
Operating Expenses		256,003	177,246	*44%*
Operating Income		$196,888	$49,755	*296%*

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 incidents in the first quarter of 2024 and no incidents in all of 2023.

Operating Income:

Q1 2024 operating income increased four-fold to $196,888 from $49,755 for Q1 2023 due to a 155% increase in fluid disposal revenues and a 50% increase in recovered oil revenues. The increased revenues result from increased activity by area producers since mid-2023. Please see *"Volumes"* and *"Revenues and Pricing"* below.

Volumes:

Several customers 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 which has continued into the first quarter of 2024.

Q1 2024 fluid disposal volumes increased more than two-fold to 10,893 bpd from 4,226 bpd for Q1 2023, while oil volumes increased 57% to 6,000 barrels from 3,825 barrels between the two quarters. The pipeline owner delivered 1,228 bpd of produced water during Q1 2024 after a considerable period of little or no monthly deliveries. Oil-rich flowback volumes remained flat at 941 bpd for each of Q1 2024 and Q1 2023.

Revenues and Pricing:

Q1 2024 total revenues, net to White Owl, doubled to $452,891 from $227,002 for Q1 2023 due to the increase in fluid disposal and recovered oil volumes. The improved volumes led to fluid disposal revenues increasing 155% to $270,731 for Q1 2024 from $105,984 for Q1 2023 and recovered oil revenues increasing 50% to $182,160 for the current quarter from $121,017 for the prior year comparable quarter. Q1 2024 pricing for production water increased 7% compared to Q1 2023, while flowback water pricing increased 26% between the two quarters as a result of a price increase implemented in Q3 2023.

Operating Costs and Royalties:

Q1 2024 operating costs and royalties increased 44% to $256,003 (or $0.55 per barrel) from $177,246 (or $0.99 per barrel) for Q1 2023. Disposal volumes were significantly lower in Q1 2023, resulting in the high unit cost of $0.99 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 positive displacement 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 approximately 2,000 bpd, however energy costs have increased.

Capital Projects:

There were minimal capital projects for this facility for the three months ended March 31, 2024. However, during the fourth quarter of 2023, the horizontal pump referenced above was installed and this pump replaced the two Triplex positive displacement pumps. The charge pump and filter housing skid were also upgraded to accommodate the higher injection rate of the horizontal pump. The rental pump is not a permanent fixture and will need to be replaced with a White Owl horizontal pump in the near future.

Epping SWD JV

Epping (Volumes 100%, Dollar amounts at 35% Working Interest in USD)				
		Q1 2024	**Q1 2023**	**Change**
Production Water-Trucked	b/d	5,329	3,630	*47%*
Production Water-Piped	b/d	3,138	3,543	*-11%*
Flowback	b/d	810	315	*157%*
Total Fluids Disposed	b/d	9,275	7,488	*24%*
Oil Sales	b/qtr. yr.	4,412	1,617	*173%*
Revenue:				
Production Water-Trucked		$ 84,414	$ 55,878	*51%*
Price for Production Water/bbl		0.50	0.49	*2%*
Production Water-Piped		51,964	58,027	*-10%*
Price for Production Water/bbl		0.52	0.52	*0%*
Flowback		32,465	12,072	*169%*
Price for Flowback/bbl		1.26	1.22	*4%*
Recovered Oil		100,206	37,925	*164%*
Price for Oil/bbl		64.89	67.01	*-3%*
Total Revenue		269,049	163,901	*64%*
Total Revenue/bbl.		0.91	0.69	*31%*
Operating Expenses		155,348	127,056	*22%*
Operating Income (loss)		$ 113,701	$ 36,845	*209%*

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.

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

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

Environmental and Safety:

In the first quarter of 2024, there were no reportable spills, environmental incidents or safety incidents. However, in Q1 2023 there was a small spill of 15 barrels of fluid, which 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 months ended March 31, 2024, increased three-fold to $113,701 from $36,845 for Q1 2023. Increased recovered oil revenues (up 164% between the two quarters) and fluid disposal revenues (up 34%) led to the much-improved operating income in Q1 2024.

Volumes:

Since commissioning of the second well in November 2022, disposal volumes for the facility have almost doubled, with Q1 2024 fluid disposal volumes averaging 9,275 bpd, up 24% from 7,488 bpd for Q1 2023. The additional volumes constitute trucked-in production water which has more oil content than pipeline volumes. Pipeline volumes accounted for 34% of total fluid disposal volumes in Q1 2024 versus approximately 75% prior to commissioning of the second well. However, disposal volumes for the second quarter of 2024 are expected to be less than the first quarter as activity in the area has recently slowed.

Oil-rich flowback volumes accounted for 9% of total fluids disposed in Q1 2024 versus 4% in Q1 2023 due to increased well completion activity in the area. As a result, recovered oil volumes increased almost three-fold to 4,412 barrels in Q1 2024 from 1,617 barrels for Q1 2023.

Marketing efforts to increase disposal volumes at this site remain a focus for the Corporation. Furthermore, there has been permitting activity in the area and several producers have forecast drilling and completion activity in 2024 and 2025 with the pipeline connected customer requesting a significant increase in disposal capacity for 2025.

Revenues and Pricing:

Total revenue for the three months ended March 31, 2024, net to White Owl, increased 64% to $269,049 from $163,901 for Q1 2023. The increase in total revenues is due to the higher fluid disposal and recovered oil volumes. Also contributing to the increased revenues is the greater proportion of oil-rich flowback volumes and the lower proportion of oil-lean pipeline water, as discussed under *"Volumes"* above.

For Q1 2024, recovered oil revenues increased 164% to $100,206 from $37,925, while fluid disposal revenues increased 34% to $168,843 from $125,977 for Q1 2023. Pricing at this facility has remained relatively flat between the two quarters, with production water and flowback pricing increasing by 2% and 4% respectively, while the net realized oil price decreased by 3%.

Operating Costs and Royalties:

Operating costs and royalties increased 22% to $155,348 (or $0.53 per barrel) for Q1 2024 from $127,056 (or $0.54 per barrel) for Q1 2023, with the slight decrease in unit cost due to the higher disposal volumes in the current quarter.

Capital Projects:

Installation of a sump collection system for the truck offloads continued in Q1 2024 and is expected to be completed in Q2 2024. This upgrade will help capture small amounts of oil remaining on trucks at the end of the unload process.

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. As of May 24, 2023, and March 31, 2024, the Company has not recorded a contingent asset regarding the 1,000,000 resulting issuer shares as the outcome is uncertain.

Environmental and Safety:

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

Net Loss from Discontinued Operation:

For the three months ended March 31, 2024, the Corporation recorded net income from discontinued operation of nil versus a net loss of $56,000 for Q1 2023.

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

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.

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

OUTLOOK

North Dakota Bakken Activity

North Dakota's Bakken field is one of the largest and busiest American shale patches, but it is showing signs of age with mature wells producing more gas than expected and this impedes crude oil output from the Bakken (Energy Information Administration 03/02/2024). Production growth over the next few years will depend on the price of oil and the ability of producers to find ways to reduce the cost of drilling and completing wells and dealing with increasing volumes of gas. More pipeline and gas processing capacity will be needed as daily gas production of 3.4 billion cubic feet ("BCF"), of which 2.4 BCF is dry gas, will soon test the limits of takeaway capacity.

In the past, operators flared gas when pipelines were at capacity so they could continue drilling wells to produce oil, however the value of the liquids in the gas, and regulations in North Dakota limiting flaring, make burning gas look like a less-attractive option. Despite these headwinds, producers are increasing their drilling activity, and the rig count is now at 42 rigs with White Owl's primary customers reporting that they have plenty of locations to drill.

When Chevron announced the purchase of Hess (White Owl's largest customer with production of 190,000 barrels of oil equivalent per day, "boepd") it was attracted by Hess's position offshore Guyana. Chevron's CEO Mike Wirth said it would provide the company with about 15 years of inventory in the Bakken. "This is a very attractive asset that can deliver a kind of plateau production, with strong cash flow for many, many years to come," Wirth said. Hess has around 60 locations in the lowest-cost tier at which oil can be profitably produced for $50/bbl or less and 500 locations capable of profitably producing in the $50 to $55 range (Enervus).

Two more of White Owl's larger customers in the region are Continental Resources (private company with 214,000 boepd) with over 600 Tier 1 locations and Chord Energy (254,000 boepd) (recently acquired Enerplus) with a combined 1,824 locations that are profitable with WTI greater than $60 per barrel. Marathon Oil (121,000 boepd), another significant White Owl customer, has around 2,379 Tier 1 locations remaining.

Our interpretation of these forecasts falls in line with public information available on our major customers who report that they have at least 10 years of Tier 1 drilling inventory remaining. For White Owl, our core SWD business appears to be steady for the foreseeable future with growth opportunities coming from geographic expansion and new business initiatives.

Dakota Access Pipeline

The Dakota Access Pipeline continues to remain in limbo and as reported in Q4 2023, federal officials released 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.

Corporate Review

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. The Killdeer area is one of the more active areas in the Bakken with 6 rigs currently active in the area.

Despite recent commodity price and activity volatility, we continue to experience steady demand for our disposal services and continue to seek development opportunities that meet our financial hurdles and that are complimentary to our existing operations. Furthermore, our improving financial position, including the strong free cash flow generated in Q1 2024, position us to, at a minimum, fund smaller complimentary growth opportunities.

We are confident that there remain sound growth opportunities in our business in North Dakota and are looking to permit one or more waste treatment facilities at our existing SWD locations. In addition, with increasing volumes of natural gas and NGLs being produced in the Bakken, we are aware of opportunities to service this expanding market as well. Additionally, we are also seeking ways to further expand our industrial Class 1 disposal business which operates at close to capacity due to downhole restrictions at our Alexander location and are actively looking to add additional disposal capacity.

In summary, we are pleased with our Q1 2024 financial performance and believe that we are well positioned to capitalize on additional opportunities as they emerge. We see openings to continue to expand our processing and disposal business with high-margin, long-term projects on the horizon. As explained in the Q4 2023 report, our outlook continues to be underpinned by a focus on strong and safe operational execution, low financial leverage, redemption of preferred shares and modest growth. Returning capital to shareholders is a priority and we are examining preferred share redemption options.

Again, we would also like to thank all our staff in Alberta and North Dakota for their significant efforts in keeping the business operating at a healthy 65% of available capacity. Thank you for your commitment and loyalty and for your assistance in achieving strong operating and financial results for the three months ended March 31, 2024.

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 (loss) 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. Operating income (loss) and EBITDA should not be considered as an alternative to, or more meaningful than, net income (loss) as determined in accordance with IFRS.

Net debt is used by Management as a key measure to assess the Corporation's liquidity position at a point in time. Net debt is reflective of the measures used by Management to monitor the liquidity in light of operating and budgeting decisions. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

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.