August 16, 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 six months ended June 30, 2024.

**SECOND QUARTER AND YEAR TO DATED JUNE 30, 2024, HIGHLIGHTS**

Highlights for the three and six months ended June 30, 2024, are summarized as follows:

- EBITDA from continuing operations for the six months ended June 30, 2024, is $3,799,000, up 24% from $3,064,000 for the six months ended June 30, 2023, mainly due to recovered oil sales volumes increasing to 46,744 barrels for the current six-month period from 37,714 barrels for the 2023 comparable period.
- Q2 2024 EBITDA from continuing operations is $1,705,000, up 3% from $1,651,000 for Q2 2023.
- The Corporation's outstanding bank loan balance is $3,177,982 (US$2,321,898) as at June 30, 2024 (before transaction costs), down 19% from $3,919,575 (US$2,963,538) as at December 31, 2023.
- The Corporation maintains a conservative trailing twelve-month net debt to EBITDA ratio which improved to 0.05:1.00 as at June 30, 2024 from 0.33:1.00 as at December 31, 2023.
- The net operating income margin from continuing operations for the six months ended June 30, 2024, improved to 48% from 42% for the twelve months ended December 31, 2023, due to the strong recovered oil revenues in the current period.
- For the six months ended June 30, 2024, total revenues increased 13% to $10,373,000 from $9,155,000 for the six months ended June 30, 2023, mainly due to oil revenues increasing by $818,000 between the two six-month periods. Total revenues for Q2 2024 increased 6% to $5,094,000 from $4,802,000 for Q2 2023, again mainly due to oil revenues increasing by $204,000 between the two quarters.
- For the six months ended June 30, 2024, operating costs and royalties increased 7% to $0.75 per barrel from $0.70 per barrel for the 2023 comparable period. The increase is mainly due to higher energy costs, labour rate increases and inflation across all cost categories. For the same reasons, Q2 2024 operating costs and royalties increased 11% to $0.80 per barrel from $0.72 per barrel for Q2 2023.

- Operating income for the Class 1 non-hazardous wastewater disposal facility at Alexander more than doubled to $271,000 for the six months ended June 30, 2024, from $129,000 for the comparable 2023 six-month period, as disposal volumes increased 5%, pricing increased 25% and operating costs decreased 6%. Q2 2024 operating income for the Alexander facility improved 20% to $247,000 from $206,000 for Q2 2023, as a 30% increase in pricing and a 22% decrease in operating costs more than offset a 23% decrease in disposal volumes.

- Effective June 1, 2024, the Company entered into the Killdeer joint venture and paid $273,000 (US$200,000) to North Dakota SWD Well #1, LLC ("ND SWD Well #1") and committed to spending an additional US$800,000 to the joint venture to complete plant turnaround activities and maintenance work in exchange for 50% participating interest in the Killdeer joint venture. Also, effective June 1, 2024, the Company disposed of a 50% interest in White Owl's 50% participating interest in the Killdeer joint venture to a partner for US$500,000 which reflects the partner's 50% share of the consideration that White Owl is obligated to pay under the terms of the Killdeer joint venture agreement. With this disposition, White Owl is entitled to a 25% share of the Killdeer joint venture assets and liabilities and distributions from net cash flow (40% before pay-out of the Company's US$500,000 investment and 25% after pay-out). The Killdeer area is one of the more active areas in the Bakken. *(Please see* "**Killdeer JV SWD Facility**" *on Page 18 for more information).*

- Capital expenditures for the three and six months ended June 30, 2024, totaled $559,000 and $1,236,000, respectively. Capital expenditures for the six months ended June 30, 2024, included $611,000 for the New Town SWD injection system upgrade, $170,000 for additions to spare parts inventory and $59,000 for installation of sump pumps at the Epping SWD facility. In addition, White Owl paid $273,000 pursuant to the Killdeer joint venture in Q2 2024.

- During the quarter, as reported to shareholders at the recent Shareholder meeting, the Company executed a capital reorganization memorandum of understanding ("Memorandum of Understanding") with representatives of the Company's preferred shareholders. The Memorandum of Understanding contemplates a plan to reorganize and redeem the issued and outstanding Series A preferred shares over time at a price to be determined at a later date. The details of the plan remain in development and once finalised all shareholders will have the opportunity to vote on the capital reorganization.

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## FINANCIAL AND OPERATIONAL HIGHLIGHTS

| ($000's, unless otherwise noted) | Three months ended June 30, 2024 | 2023 | % | Six months ended June 30, 2024 | 2023 | % |
|---|---|---|---|---|---|---|
| <u>**Continuing operations**</u> | | | | | | |
| **North Dakota operations** | | | | | | |
| Disposal volumes (Bbls) | **3,490,648** | 3,602,195 | -3% | **7,254,291** | 7,157,587 | 1% |
| Recovered oil sales volumes (Bbls) | **18,346** | 18,625 | -1% | **45,375** | 37,714 | 20% |
| Disposal revenue ($ per Bbl) | **$0.89** | $0.84 | 6% | **$0.82** | $0.78 | 5% |
| Oil sales revenue ($ per Bbl) | **$102.71** | $90.26 | 14% | **$92.46** | $89.54 | 3% |
| Operating costs and royalties ($ per Bbl) | **$0.80** | $0.72 | 11% | **$0.75** | $0.70 | 7% |
| **North Dakota disposal and services revenue** | | | | | | |
| Disposal revenue | **$3,095** | $3,019 | 3% | **$5,952** | $5,587 | 7% |
| Oil sales revenue | **1,885** | 1,681 | 12% | **4,195** | 3,377 | 24% |
| Other revenue | **114** | 102 | 12% | **226** | 191 | 18% |
| **Total revenue – North Dakota continuing operations** | **5,094** | 4,802 | 6% | **10,373** | 9,155 | 13% |
| Operating costs | **(2,777)** | (2,585) | 7% | **(5,445)** | (5,014) | 9% |
| **Operating income (1) – North Dakota continuing operations** | **$2,317** | $2,217 | 5% | **$4,928** | $4,141 | 19% |
| General and administrative expenses ("G&A") | **(593)** | (566) | 5% | **(1,110)** | (1,077) | 3% |
| Bad debt expense | **(19)** | - | 100% | **(19)** | | 100% |
| **EBITDA (1) continuing operations** | **$1,705** | $1,651 | 3% | **$3,799** | $3,064 | 24% |
| **Other income and expenses** | | | | | | |
| Depreciation | **(543)** | (478) | 14% | **(1,069)** | (949) | 13% |
| Amortization | **(16)** | (16) | 0% | **(32)** | (32) | 0% |
| Finance costs | **(179)** | (292) | -39% | **(358)** | (540) | -34% |
| Gain on disposal of property, plant and equipment | **-** | - | - | **-** | 9 | -100% |
| Share-based payments | **(5)** | (15) | -67% | **(10)** | (32) | -69% |
| Bargain purchase gain | **750** | - | 100% | **750** | - | 100% |
| Loss on disposition of joint operation interest | **(375)** | - | 100% | **(375)** | - | 100% |
| Foreign exchange gain (losses) | **(217)** | 335 | 165% | **(700)** | 335 | -309% |
| Income tax expense | **(2)** | (1) | 100% | **(6)** | (5) | 20% |
| **Net income from continuing operations** | **$1,118** | $1,184 | -6% | **$1,999** | $1,850 | 8% |
| **Net income from discontinued operation** | **-** | 558 | 100% | **-** | 502 | -100% |
| **Net income** | **$1,118** | $1,742 | -36% | **$1,999** | $2,352 | -15% |

*(1) Refer to "Non-GAAP Measures" on Page 25 for additional information.*

EBITDA from continuing operations for the six months ended June 30, 2024, increased 24% to $3,799,000 from $3,064,000 for the comparable 2023 six-month period, mainly due to significantly stronger recovered oil sales volumes which increased 24% between the periods. As a result, with the netback oil price remaining flat, oil sales revenues increased 24% to $4,195,000 for the six months ended June 30, 2024, from $3,377,000 for six months ended June 30, 2023. The increase in oil revenues resulted in an improved net operating income margin of 48%

for the current six-month period versus 45% for the comparable 2023 period and 42% for the 2023 year. Supporting the strong first quarter operating and financial results is relatively stable activity in North Dakota with the current rig count at over 40 rigs, slightly up from 38 rigs a year ago.

EBITDA from continuing operations for Q2 2024 increased 3% to $1,705,000 from $1,651,000 for Q1 2023, mainly due to a 5% increase in recovered oil volume sales.

With the disposition of the Corporation's Clairmont oil and gas assets in May 2023 and the Clairmont midstream assets in October 2022, 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:*

For the six months ended June 30, 2024, operating income increased 19% to $4,928,000 from $4,141,000 for the comparable 2023 six-month period as higher recovered oil revenues (up by $818,000 between the periods), fluid disposal revenues (up by $365,000) and overhead fee income (up by $35,000) were partially offset by increased operating costs (up by $431,000).

Q2 2024 operating income increased 5% to $2,317,000 from $2,217,000 for Q2 2023 as higher recovered oil revenues (up by $204,000 between the quarters), fluid disposal revenues (up by $76,000) and overhead fee income (up by $12,000) were partially offset by increased operating costs (up by $192,000). Please refer to "*Operating Costs*" below.

*Volumes:*

Although fluid disposal volumes remained relatively flat for the three and six months ended June 30, 2024, compared to the comparable 2023 periods, recovered oil volumes increased 5% and 24% for the three and six months ended June 30, 2024, respectively, due to increased completion activity in some areas.

For the six months ended June 30, 2024, recovered oil volumes increased 24% to 46,744 barrels from 37,714 barrels for the comparable 2023 six-month period, with the Corporation's three 100%-owned SWD facilities (New Town, Watford City and Ross) contributing 83% of the total volumes, versus 84% for the 2023 six-month period. The Corporation's three joint-venture SWD facilities (Tioga, Epping and Killdeer) contributed 17% of the total oil volumes in the current six-month period versus 16% in the same period last year.

For the three months ended June 30, 2024, recovered oil volumes increased 5% to 20,220 barrels from 19,175 barrels for Q2 2023, with the Corporation's three 100%-owned SWD facilities contributing 83% of the total volumes, versus 82% for Q2 2023 period. The Corporation's three joint-venture SWD facilities contributed 17% of the total oil volumes in Q2 2024 versus 18% in Q2 2023.

For the six months ended June 30, 2024, fluid disposal volumes remained relatively flat at 39,859 bpd compared to 39,545 bpd for the 2023 comparable six-month period, while Q2 2024 disposal volumes decreased 3% to 38,359 bpd from 39,585 bpd for Q2 2023. Fluid disposal volumes include trucked production and flowback water (New Town, Watford City, Ross, Tioga, Killdeer and Epping facilities), pipeline water (Watford City, Tioga, Killdeer and Epping 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 16% to 3,576 bpd for Q2 2024 from 4,256 bpd for Q2 2023. The decrease is mainly due to a temporary halt in well completion activities by producers around the Ross SWD facility as well as lower drilling and completion activity around the Tioga SWD facility. As a result, the contribution of the Ross and Tioga SWD facilities to total flowback volumes decreased to 59% for the six months ended June 30, 2024, compared to 85% for the 2023 comparable six-month period. Flowback water commands a higher disposal fee than production water and averaged 9% of fluid disposal volumes for Q2 2024, down from 11% for Q2 2023.

Non-hazardous industrial water volumes disposed by the Alexander facility are included in total fluid disposal volumes mentioned above and increased 5% to 60,532 barrels for the six months ended June 30, 2024, from 57,829 barrels for the 2023 comparable six-month period. Q2 2024 disposal volumes decreased 23% to 43,922 barrels from 56,829 barrels for Q2 2023 due to well injection restrictions which developed in June 2023. (*Please see* "**Alexander Class 1 Facility**" *on Page 13*).

*Revenue and Pricing:*

For the six months ended June 30, 2024, total revenues increased 13% to $10,373,000 from $9,155,000 for the six months ended June 30, 2023, mainly due to the 24% increase in recovered oil volumes. While disposal volumes remained relatively flat, fluid disposal revenues increased 7% to $5,952,000 for the six months ended June 30, 2024, from $5,587,000 for the prior year comparable period due to the successful implementation of price increases for flowback and non-hazardous industrial water in Q3 2023 and Q4 2023, respectively.

Total revenues for Q2 2024 increased 6% to $5,094,000 from $4,802,000 for Q2 2023 as higher oil revenues and the aforementioned price increases more than offset a 3% decrease in disposal volumes.

Recovered oil sales continue to be a material component of revenues and accounted for 40% (or $4,195,000) of total revenues for the six months ended June 30, 2024, compared to 37% (or $3,377,000) for the 2023 comparable period. Q2 2024 recovered oil sales accounted for 37% (or $1,885,000) of total revenues compared to 35% (or $1,681,000) for Q2 2023.

The Corporation's netback price increased 4% to US$68.12 per barrel for Q2 2024 from US$65.26 per barrel for Q2 2023. In Q2 2024, the West Texas Intermediate ("WTI") oil price averaged US$80.54 per barrel, up 2% from US $78.74 per barrel for Q2 2023. For the six months ended June 30, 2024, the Corporation's netback price remained relatively flat at US$66.11 versus US$67.31 for the prior year comparable period. White Owl's netback 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 Q2 2024 of US$2.83 per barrel compared to a positive differential of US$0.67 per barrel for Q2 2023.

Other revenue which includes overhead recoveries from management of joint venture operations and interest earned on cash deposits increased 12% to $114,000 for Q2 2024 from $102,000 for Q2 2023 mainly due to overhead recovery fees from management of the Killdeer joint venture, of which White Owl became the operator effective June 1, 2024. *(Please see Page 18 for more information on the **Killdeer SWD JV Facility**).*

For the six months ended June 30, 2024, other revenue increased 18% to $226,000 from $191,000 for the prior year comparable period due to the addition of Killdeer as well as increased operating costs (and therefore increased management fees) incurred by the Tioga Joint Venture.

*Operating Costs and Royalties:*

For the six months ended June 30, 2024, operating costs and royalties increased 7% to $0.75 per barrel (or $5,445,000) from $0.70 per barrel (or $5,014,000) for the 2023 comparable period. The increase in operating costs and royalties is mainly due to higher energy costs, labour rate increases and inflation across all cost categories. For the same reasons, Q2 2024 operating costs and royalties increased 11% to $0.80 per barrel (or $2,777,000) from $0.72 per barrel (or $2,585,000) for Q2 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 22.

**OPERATING LOCATIONS (dollar amounts in USD except Canada):**

**New Town SWD**

New Town Facility (amounts in USD except volumes)

| | | Q2 2024 | Q2 2023 | Change | YTD 2024 | YTD 2023 | Change |
|---|---|---|---|---|---|---|---|
| Production Water - Trucked | b/d | 11,147 | 13,156 | -15% | 12,300 | 13,087 | -6% |
| Flowback | b/d | 444 | 104 | 325% | 253 | 165 | 53% |
| Total Fluids Disposed | b/d | 11,590 | 13,260 | -13% | 12,553 | 13,252 | -5% |
| Oil Sales | b/qtr, yr | 4,414 | 5,199 | -15% | 11,459 | 11,424 | 0% |
| Revenue: | | | | | | | |
| Production Water - Trucked | | $485,693 | $574,702 | -15% | $1,067,531 | $1,137,703 | -6% |
| Price for Production Water/bbl | | 0.48 | 0.49 | -1% | 0.48 | 0.48 | -1% |
| Flowback | | 62,344 | 11,857 | 426% | 69,259 | 32,324 | 114% |
| Price for Flowback/bbl | | 1.54 | 1.26 | 22% | 1.51 | 1.08 | 39% |
| Recovered Oil | | 303,057 | 334,633 | -9% | 755,759 | 757,551 | 0% |
| Price for Oil/bbl | | 68.66 | 64.36 | 7% | 65.95 | 66.31 | -1% |
| Total Revenue | | 851,094 | 921,192 | -8% | 1,892,549 | 1,927,578 | -2% |
| Total Revenue/bbl. | | $0.81 | $0.77 | 5% | $0.83 | $0.80 | 3% |
| Operating Expenses | | 459,097 | 540,072 | -15% | 961,178 | 1,073,706 | -10% |
| Operating Income | | $391,997 | $381,120 | 3% | $931,371 | $853,872 | 9% |

*Environmental and Safety:*

There were no spills, environmental incidents, or safety incidents in the three and six months ended June 30, 2024, and no incidents in the 2023 year.

*Operating Income:*

For the three and six months ended June 30, 2024, operating income increased 3% and 9% to $391,997 and $931,371, respectively, from $381,120 and $853,872, for the prior year comparable periods, respectively. The increase in operating income is mainly due to lower operating costs which decreased 13% and 10% in the three and six months ended June 30, 2024, respectively, mainly due to lower repairs and maintenance and solids disposal costs.

*Volumes:*

In recent months, customers of the New Town SWD facility have diverted production water to drilling programs which has impacted disposal volumes, especially in the second quarter of 2024. However, in July 2024, disposal volumes have increased by 25% over Q2 2024 volumes, in response to customers' well completion activities.

Recovered oil volumes for the six months ended June 30, 2024, remained flat at 11,459 barrels versus 11,424 barrels for the 2023 comparable period. However, for Q2 2024, recovered oil volumes decreased 15% to 4,414 barrels from 5,199 barrels for Q2 2023, mainly due to customers diverting production water to drilling and completion activities.

With customers diverting water to drilling and completion activities, fluid disposal volumes decreased 13% and 5% to 11,590 bpd and 12,553 bpd for the three and six months ended June 30, 2024, respectively, from 13,260 bpd and 13,252 bpd for the three and six months ended June 30, 2023, respectively.

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. That said, flowback volumes improved to 444 bpd and 253 bpd for the three and six months ended June 30, 2024, respectively, compared to 104 bpd and 165 bpd for the three and six months ended June 30, 2023, respectively.

*Revenues and Pricing:*

For the six months ended June 30, 2024, total revenues remained relatively flat at $1,892,549 versus $1,927,578 for the comparable prior year period, as the 5% lower fluid disposal volumes was offset by lower operating costs (down 10%).

For the three months ended June 30, 2024, total revenues decreased 8% to $851,094 from $921,192 for Q2 2023, as the 13% decrease in fluid disposal volumes and the 15% decrease in recovered oil sales was partially offset by a higher oil price (up 7%) and lower operating costs (down 15%).

*Operating Costs and Royalties:*

For the three months ended June 30, 2024, operating costs and royalties decreased 15% to $459,097 from $540,072 for Q2 2023. On a unit basis, operating costs remained the same at $0.45 per barrel for both quarters. The decrease in operating costs and royalties is mainly due to lower repairs and maintenance expenses and landowner royalties (due to the 13% decrease in disposal volumes).

For the six months ended June 30, 2024, operating costs and royalties decreased 10% to $961,178 (or $0.42 per barrel) from $1,073,706 (or $0.45 per barrel) for Q2 2023. The decrease is mainly due to lower repairs and maintenance expenses.

*Capital Projects:*

Capital projects for the three and six months ended June 30, 2024, totaled $92,221 and $354,497, respectively, 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. A new programmable logic controller (PLC) for the site was also installed in the first quarter. 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.

**Watford City SWD**

***Watford Facility (amounts in USD except volumes)***

| | | Q2 2024 | Q2 2023 | Change | YTD 2024 | YTD 2023 | Change |
|---|---|---|---|---|---|---|---|
| Production Water - Trucked | b/d | 8,968 | 6,847 | *31%* | 8,667 | 7,404 | *17%* |
| Production Water - Piped | b/d | 0 | 66 | *-100%* | 1 | 467 | *100%* |
| Flowback | b/d | 768 | 159 | *381%* | 689 | 288 | *139%* |
| Total Fluids Disposed | b/d | 9,735 | 7,073 | *38%* | 9,357 | 8,158 | *15%* |
| Oil Sales | b/qtr, yr. | 6,536 | 3,249 | *101%* | 15,126 | 7,554 | *100%* |
| Revenue: | | | | | | | |
| Production Water - Trucked | | $404,462 | $310,898 | *30%* | $783,240 | $669,425 | *17%* |
| Price for Prodn. Water-Trucked/bbl | | 0.50 | 0.50 | *-1%* | 0.50 | 0.50 | *-1%* |
| Production Water - Piped | | 0 | 2,890 | *-100%* | 87 | 40,548 | *100%* |
| Price for Prodn. Water Piped/bbl | | 0.00 | 0.48 | *-100%* | 0.47 | 0.48 | *100%* |
| Flowback | | 88,250 | 17,730 | *398%* | 159,323 | 55,572 | *187%* |
| Price for Flowback/bbl | | 1.26 | 1.22 | *3%* | 1.27 | 1.07 | *19%* |
| Recovered Oil | | 446,101 | 211,831 | *111%* | 1,004,778 | 501,819 | *100%* |
| Price for Oil/bbl | | 68.25 | 65.20 | *5%* | 66.43 | 66.43 | *0%* |
| Other Income | | 0 | 0 | *0%* | 0 | 0 | *0%* |
| Total Revenue | | 938,813 | 543,349 | *73%* | 1,947,428 | 1,267,364 | *54%* |
| Total Revenue/bbl. | | 1.06 | 0.84 | *26%* | 1.14 | 0.86 | *33%* |
| Operating Expenses | | 432,502 | 375,572 | *15%* | 781,603 | 737,903 | *6%* |
| Operating Income | | $506,311 | $167,777 | *202%* | $1,165,825 | $529,461 | *120%* |

*Environmental and Safety:*

There were no spills, environmental incidents, or safety incidents in the three and six months ended June 30, 2024, and no incidents in the 2023 year.

*Operating Income:*

The Watford City SWD facility contributed 30% and 32% of the Corporation's total operating income in the three and six months ended June 30, 2024, respectively, surpassing the contribution made by any one of White Owl's other facilities. Q2 2024 operating income increased three-fold to $506,311 from $167,777 for Q2 2023, mainly due to a 114% increase in recovered oil revenues and a 51% increase in fluid disposal revenues. For the six months ended June 30, 2024, operating income increased 120% to $1,165,825 from $529,461, due to recovered oil revenues increasing two-fold and a 24% increase in fluid disposal revenues.

*Volumes:*

Business has recently picked up at the Watford City SWD facility due to the increased drilling and competition activity in the area. A change in customer mix along with the increased activity by area producers led to recovered oil sales volumes doubling to 15,126 barrels for the six months ended June 30, 2024, from 7,554 barrels for the 2023 comparable period. Similarly, Q2 2024 recovered oil sales doubled to 6,536 barrels from 3,249 barrels for Q2 2023.

At the same time, fluid disposal volumes increased 38% to 9,735 bpd for the current quarter from 7,073 bpd for the 2023 comparable quarter. The above-mentioned increase in oil recovery was a result of increased well completion activity in the area which led to oil rich flowback volumes increasing almost five-fold to 768 bpd for Q2 2024 from 159 bpd for Q2 2023.

For the six months ended June 30, 2024, fluid disposal volumes increased 15% to 9,357 bpd from 8,158 bpd for the 2023 comparable period, including a 139% increase in flowback to 689 bpd from 288 bpd, due to the aforementioned increased well completion activity.

*Revenues and Pricing:*

For the three months ended June 30, 2024, total revenues increased 73% to $938,813 from $543,349 for Q2 2023. This increase in revenues is mainly due to recovered oil revenues more than doubling to $446,101 for the current quarter from $211,831 for the prior year comparable quarter. For the six months ended June 30, 2024, total revenues increased 54% to $1,947,428 from $1,267,364 for the prior year comparable period, again mainly due to oil revenues doubling to $1,004,778 from $501,819 between the two six-month periods.

Fluid disposal revenues for Q2 2024 increased 49% to $492,713 from $331,518 for Q2 2023 and include flowback revenues which increased five-fold to $88,250 for the current quarter from $17,730 for the prior year comparable quarter. For the six months ended June 30, 2024, fluid disposal revenues increased 23% to $942,650 from $765,545 for the prior year comparable period and include an almost three-fold increase in flowback revenues to $159,323 for the current six-month period from $55,572 for the prior year comparable period.

*Operating Costs and Royalties:*

For the six months ended June 30, 2024, operating costs and royalties increased 6% to $781,603 (or $0.46 per barrel) from $737,903 (or $0.50 per barrel), due to the increased disposal volumes leading to higher variable operating costs. Q2 2024 operating costs and royalties increased 15% to $432,502 (or $0.49 per barrel) from $375,572 (or $0.58 per barrel), again due to the increased disposal volumes.

*Capital Projects:*

Capital projects at this site were minimal, totaling $6,900 for the six months ended June 30, 2024.

**Ross SWD**

**Ross Facility (amounts in USD except volumes)**

| | | Q2 2024 | Q2 2023 | Change | YTD 2024 | YTD 2023 | Change |
|---|---|---|---|---|---|---|---|
| Production Water - Trucked | b/d | 8,643 | 9,453 | -9% | 9,001 | 9,992 | -10% |
| Flowback | b/d | 1,475 | 2,957 | -50% | 1,216 | 2,404 | -49% |
| Total Fluids Disposed | b/d | 10,117 | 12,410 | -18% | 10,217 | 12,396 | -18% |
| Oil Sales | b/qtr, yr. | 5,756 | 7,221 | -20% | 12,280 | 12,866 | -5% |
| Revenue: | | | | | | | |
| Production Water - Trucked | | $398,853 | $430,055 | -7% | $829,982 | $904,119 | -8% |
| Price for Production Water/bbl | | 0.51 | 0.50 | 1% | 0.51 | 0.50 | 1% |
| Flowback | | 180,124 | 287,045 | -37% | 290,398 | 457,470 | -37% |
| Price for Flowback/bbl | | 1.34 | 1.07 | 26% | 1.31 | 1.05 | 25% |
| Recovered Oil | | 391,932 | 475,084 | -18% | 811,056 | 857,248 | -5% |
| Price for Oil/bbl | | 68.09 | 65.79 | 3% | 66.05 | 66.63 | -1% |
| Other Income | | 0 | 0 | 100% | 0 | 0 | 100% |
| Total Revenue | | 970,909 | 1,192,184 | -19% | 1,931,436 | 2,218,837 | -13% |
| Total Revenue/bbl. | | 1.05 | 1.06 | 0% | $1.04 | $0.99 | 5% |
| Operating Expenses | | 630,597 | 552,800 | 14% | 1,265,668 | 1,085,568 | 17% |
| Operating Income (Loss) | | $340,312 | $639,384 | -47% | $665,768 | $1,133,269 | -41% |

*Environmental and Safety:*

There were no spills, environmental incidents, or safety incidents in the three and six months ended June 30, 2024, and no incidents in all of 2023.

*Operating Income:*

For the three months ended June 30, 2024, operating income decreased 47% to $340,312 from $639,384 for Q2 2023, as lower recovered oil revenues (down by $83,200, or 17% between the two quarters) and lower fluid disposal revenues (down by $138,100, or 18%). In addition, operating costs increased 14% between the two quarters, mainly due to higher repairs and maintenance expenses and solid disposal costs.

For the six months ended June 30, 2024, operating income decreased 41% to $665,768 from $1,133,269 for the prior year comparable period as flat oil revenues were more than offset by lower fluid disposal revenues (down by

$241,200, or 17%, between the two six-month periods) and higher operating costs (up by $180,100). Please see "*Operating Costs and Royalties*" below.

*Volumes:*

Business has recently slowed down at the Ross SWD facility due to the decreased drilling and competition activity in the area. For the three and six months ended June 30, 2024, fluid disposal volumes and recovered oil sales volumes decreased from the prior year comparable periods as customers moved their drilling and completion activity to other areas. However, the decrease in volumes is expected to be temporary and we are expecting a rebound in disposal volumes at this facility in the second half of the year, once White Owl customers complete recently permitted drilling programs in the area.

For the six months ended June 30, 2024, recovered oil sales decreased 5% to 12,280 barrels from 12,866 barrels for the 2023 comparable period, while Q2 2024 recovered oil sales decreased 20% to 5,756 barrels from 7,221 barrels for Q2 2023.

For the three months ended June 30, 2024, fluid disposal volumes decreased 18% to 10,117 bpd from 12,410 bpd for Q1 2023. Similarly, for the six months ended June 30, 2024, fluid disposal volumes decreased 18% to 10,217 bpd from 12,396 bpd.

*Revenues and Pricing:*

For the six months ended June 30, 2024, total revenues decreased 13% to $1,931,436 from $2,218,837 for the prior year comparable period, with oil revenues decreasing 5% to $811,056 for the current six-month period versus $857,248 for the same six-month period last year. Fluid disposal revenues decreased 17% to $1,120,380 for the six months ended June 30, 2024, from $1,361,589 for the comparable prior year period, matching the decrease in disposal volumes.

For the three months ended June 30, 2024, total revenues decreased 19% to $970,909 from $1,192,184 for Q2 2023, as fluid disposal revenues decreased 18% to $578,977 for Q2 2024 from $717,100 for Q2 2023, approximately matching the 18% decrease in disposal volumes between the two quarters. Q2 2024 recovered oil revenues decreased 17% to $391,932 from $457,084 for Q2 2023, as a 20% decrease in oil volumes was partially offset by a 3% increase in the netback price.

*Operating Costs and Royalties:*

For the three months and six months ended June 30, 2024, operating costs and royalties increased 14% and 17% to $630,597 (or $0.68 per barrel) and $1,265,668 (or $$0.68 per barrel), respectively, from $552,800 (or $0.49 per barrel) and $1,085,568 (or $0.48 per barrel) for the prior year comparable periods, respectively. 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. As discussed under "*Volumes*" above, we are expecting a rebound in disposal volumes at this facility in the second half of the year, once White Owl customers complete recently permitted drilling programs in the area. Finally, labour costs increased 10% between the two six-month periods 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 and six months ended June 30, 2024, capital projects at this site were minimal, totaling $10,800.

**Alexander Class 1 Facility**

Alexander Facility (Amounts in USD except volumes)

| | | Q2 2024 | Q2 2023 | Change | YTD 2024 | YTD 2023 | Change |
|---|---|---|---|---|---|---|---|
| Class 1 Water-Trucked | b/d | 483 | 624 | *-23%* | 333 | 319 | *4%* |
| Total Fluids Disposed | b/d | 483 | 624 | *-23%* | 333 | 319 | *4%* |
| Class 1 Water | b/qtr. yr. | 43,922 | 56,829 | *-23%* | 60,532 | 57,829 | *5%* |
| Revenue: | | | | | | | |
| Class 1 Water | | $287,306 | $291,682 | *-2%* | $385,742 | $297,682 | *30%* |
| Price for Class 1 Water | | 6.54 | 5.13 | *27%* | 6.37 | 5.15 | *24%* |
| Total Revenue | | 287,306 | 291,682 | *-2%* | 385,742 | 297,682 | *30%* |
| Total Revenue/bbl. | | 6.54 | 5.13 | *27%* | 6.37 | 5.15 | *24%* |
| Operating Expenses | | 107,219 | 138,656 | *-23%* | 187,695 | 201,834 | *-7%* |
| Operating Income (Loss) | | $ 180,087 | $ 153,026 | *18%* | $ 198,047 | $ 95,848 | *107%* |

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, not all generators are aware of the regulatory requirement to use Class 1 disposal for non-hazardous industrial fluids, and some continue to use permitted Class 2 facilities for disposal of these fluids. This practice is anticipated to decline over time as internal pressure for environmental compliance combined with regulatory enforcement will mean generators will need 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 as discussed above, or shipping to Class 1 treatment facilities in adjoining states.

*Environmental and Safety:*

There were no spills, environmental incidents, or safety incidents in the three and six months ended June 30, 2024, and no incidents in all of 2023.

*Operating Income:*

For the six months ended June 30, 2024, operating income doubled to $198,047 from $95,848 for the prior year comparable period, due to increased disposal volumes and pricing. Q2 2024 operating income increased 18% to $180,087 from $153,026 for Q2 2023, due to a 27% increase in pricing and lower operating costs (down 23% between the quarters), while revenues remained flat.

*Volumes:*

For the six months ended June 30, 2024, volumes increased 5% to 60,532 barrels from 57,829 barrels for the 2023 comparable period, while Q2 2024 volumes decreased 23% to 43,922 barrels from 56,829 barrels for Q2 2023. The decrease in disposal volumes in the current quarter compared to Q2 2023 is due to well injection limitation issues developing in June 2023. Despite completing several chemical programs to deal with these issues, the well's capacity is now limited to about 15,000 barrels per month.

Demand for Class 1 disposal in North Dakota, which increased in 2023, now exceeds the injection capacity of the well. This was evident in the first quarter of 2024 when 16,610 barrels were disposed versus 1,000 barrels in Q1 2023, as the Class 1 business is typically a spring, summer and fall business due to freezing of the fresh water. Typically, approximately 70% of the annual disposal volumes at this facility are received in the second and third quarters of the year.

*Revenues and Pricing:*

For the six months ended June 30, 2024, total revenue increased 30% to $385,742 from $297,682 for the 2023 comparable quarter, due to the 5% increase in disposal volumes and a 27% increase in pricing which was successfully implemented in Q4 2023.

Q2 2024 total revenue remained flat at $287,306 versus $291,682 for Q2 2023, as the aforementioned price increase more than offset the 23% decrease in volumes. Please see "*Volumes*" above.

*Operating Costs and Royalties:*

For the three months ended June 30, 2024, operating costs and royalties decreased 23% to $107,219 from $138,656 for Q2 2023, mainly due to well inspection and chemical program costs of $47,000 incurred in Q2 2023 to deal with the aforementioned well injection limitation issues.

For the six months ended June 30, 2024, operating costs and royalties decreased 7% to $187,695 from $201,834 for the prior year comparable period, mainly due to the one-time well inspection and chemical program costs incurred last year and lower volumes. Please see "*Volumes*" above.

*Capital Projects:*

There were minimal capital projects for this facility for the three and six months ended June 30, 2024.

**Tioga SWD JV Facility**

**Tioga (Volumes 100%, dollar amounts at 47% in USD)**

| | | Q2 2024 | Q2 2023 | Change | YTD 2024 | YTD 2023 | Change |
|---|---|---|---|---|---|---|---|
| Production Water-Trucked | b/d | 2,810 | 4,072 | *-31%* | 5,767 | 3,680 | *57%* |
| Production Water-Piped | b/d | 3,961 | 0 | *100%* | 2,595 | 0 | *100%* |
| Flowback | b/d | 1,334 | 1,818 | *-27%* | 1,137 | 1,383 | *-18%* |
| Total Fluids Disposed | b/d | 8,104 | 5,890 | *38%* | 9,499 | 5,063 | *88%* |
| Oil Sales | b/qtr. yr. | 3,493 | 6,291 | *-44%* | 9,493 | 10,116 | *-6%* |
| | | | | | | | |
| Revenue: | | | | | | | |
| Production Water - Trucked | | $60,319 | $80,716 | *-25%* | $254,578 | $148,035 | *72%* |
| Price for Prodn. Water-Trucked/bbl | | 0.50 | 0.47 | *7%* | 0.52 | 0.47 | *10%* |
| Production Water - Piped | | 88,087 | 0 | *100%* | 115,400 | 0 | *100%* |
| Price for Prodn. Water Piped/bbl | | 0.52 | 0.00 | *100%* | 0.52 | 0.00 | *100%* |
| Flowback | | 64,885 | 69,756 | *-7%* | 114,045 | 108,421 | *5%* |
| Price for Flowback/bbl | | 1.14 | 0.91 | *25%* | 1.17 | 0.92 | *28%* |
| Recovered Oil | | 113,898 | 194,059 | *-41%* | 296,058 | 315,076 | *-6%* |
| Price for Oil/bbl | | 69.38 | 65.63 | *6%* | 66.36 | 66.27 | *0%* |
| Other | | 0 | 0 | *100%* | 0 | 0 | *100%* |
| Total Revenue | | $327,190 | $344,531 | *-5%* | 780,081 | 571,532 | *36%* |
| Total Revenue/bbl. | | 0.94 | 1.38 | *-32%* | 0.96 | 1.33 | *-28%* |
| | | | | | | | |
| Operating Expenses | | 244,700 | 169,152 | *45%* | 500,703 | 346,398 | *45%* |
| | | | | | | | |
| Operating Income | | $82,490 | $175,379 | *-53%* | $279,378 | $225,134 | *24%* |

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 three and six months ended June 30, 2024, and no incidents in all of 2023.

*Operating Income:*

For the six months ended June 30, 2024, operating income increased 24% to $279,378 from $225,134 for the 2023 comparable quarter, mainly due to the return of pipeline revenues in Q4 2023 after a considerable period of little or no monthly deliveries. The Tioga SWD facility is one of four pipeline-connected facilities among the Corporation's total suite of six Class 2 SWD facilities, the others being Watford City, Epping and Killdeer.

Q2 2024 operating income decreased 53% to $82,490 from $175,379 for Q2 2023, as higher disposal revenues were more than offset by lower oil revenues and higher operating costs. The increased disposal revenues result from increased activity by area producers since mid-2023. Please see *"Volumes"* and *"Revenues and Pricing"* below.

*Volumes:*

For the six months ended June 30, 2024, fluid disposal volumes increased 88% to 9,499 bpd from 5,063 bpd for the 2023 comparable period. In 2023, increased activity by area producers led to fluid disposal and recovered oil volumes increasing significantly in the second half of 2023. Notably, pipeline volumes totaled 2,595 bpd, or 27% of total disposal volumes for the current six-month period versus nil pipeline volumes for the 2023 six-month period.

Q2 2024 fluid disposal volumes increased 38% to 8,104 bpd from 5,890 bpd for Q2 2023, again due to the increase in disposal volumes which commenced in the third quarter of 2023. However, in recent months, reduced drilling and completion activity in the area has led to lower fluid disposal and recovered oil volumes in the latter part of Q2 2024 and continuing into the third quarter. Q2 2024 pipeline volumes totaled 3,961 bpd, or 49% of total disposal volumes for the quarter, versus nil pipeline volumes for Q2 2023.

The higher rate of pipeline volumes (27% for the six-month period) resulted in the decrease in recovered oil volumes as there is little oil to be recovered from pipeline water, even though fluid disposal volumes increased 88% between the two six-month periods. For the six months ended June 30, 2024, recovered oil volumes decreased 6% to 9,493 barrels from 10,116 barrels for the 2023 comparable period.

Similarly, the very high proportion (49%) of pipelines volumes in Q2 2024 led to recovered oil volumes decreasing 44% to 3,493 barrels from 6,291 barrels for Q2 2023, even though fluid disposal volumes increased 38% between the two quarters.

*Revenues and Pricing:*

For the six months ended June 30, 2024, total revenues, net to White Owl, increased 36% to $780,081 from $571,322 for the comparable 2023 period. These revenues included fluid disposal, which increased 89% to $482,203 for the six months from $256,456, mainly due to the 88% increase in fluid disposal volumes and a 10% increase in production water pricing between the two six-month periods. Recovered oil revenues decreased 6% to $296,058 for the current six-month period from $315,076 for the 2023 six-month period, again matching the decrease in recovered oil volumes, while oil pricing remained flat.

Q2 2024 total revenues, net to White Owl, decreased 5% to $317,190 from $344,531 for Q2 2023. Q2 2024 fluid disposal revenues increased 42% to $213,291 for Q2 2024 from $150,472 for Q2 2023, due to the 38% increase in disposal volumes and a 7% increase in production water pricing. Recovered oil revenues decreased 41% to $113,898 for Q2 2024 from $194,059 for Q2 2023, due to the 44% decrease in recovered oil volumes combining with a 6% increase in the realized netback oil price.

*Operating Costs and Royalties:*

For the six months ended June 30, 2024, operating costs and royalties per barrel decreased 23% to $0.62 (or $500,703) from $0.80 (or $346,938) for the prior year comparable period. Disposal volumes were lower in Q2 2023, resulting in the high unit cost per barrel, with fixed costs being spread over 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 approximately 2,000 bpd, however energy costs have increased.

Q2 2024 operating costs and royalties increased 45% to $244,700 (or $0.71 per barrel) from $169,152 (or $0.67 per barrel) for Q2 2023.

*Capital Projects:*

There was minimal capital spent at this facility ($4,000) for the three and six months ended June 30, 2024. However, during the fourth quarter of 2023, the horizontal injection 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.

## Killdeer SWD JV Facility

| Killdeer Facility (vols.100%, Dollar amounts at 40%WI in USD)) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Q2 2024 | Q2 2023 | Change | YTD 2024 | YTD 2023 | Change |
| Production Water-Trucked | b/d | 186 | 0 | *100%* | 93 | 0 | *100%* |
| Production Water-Piped | b/d | 286 | 0 | *100%* | 143 | 0 | *100%* |
| Flowback | b/d | 554 | 0 | *100%* | 277 | 0 | *100%* |
| Total Fluids Disposed | b/d | 1,027 | 0 | *100%* | 513 | 0 | *100%* |
| Oil Sales | b/qtr | 3,421 | 0 | *100%* | 3,421 | 0 | *100%* |
| Revenue | | | | | | | |
| Production Water-Trucked | | $3,321 | $0 | *100%* | $3,321 | $0 | *100%* |
| Price for Production Water/bbl | | 0.49 | 0.00 | *100%* | 0.49 | 0.00 | *100%* |
| Production Water-Piped | | 5,215 | 0 | *100%* | 5,215 | 0 | *100%* |
| Price for Production Water/bbl | | 0.50 | 0.00 | *100%* | 0.50 | 0.00 | *100%* |
| Flowback | | 26,604 | 0 | *100%* | 26,604 | 0 | *100%* |
| Price for Flowback/bbl | | 1.32 | 0.00 | *100%* | 1.32 | 0.00 | *100%* |
| Recovered Oil | | 87,923 | 0 | *100%* | 87,923 | 0 | *100%* |
| Price for Oil/bbl | | 64.25 | 0.00 | *100%* | 25.70 | 0.00 | *100%* |
| Other Income | | 0 | 0 | *100%* | 0 | 0 | |
| Total Revenue | | 123,063 | 0 | *100%* | 123,063 | 0 | *100%* |
| Total Revenue/bbl. | | 3.29 | 0.00 | *100%* | 1.32 | 0.00 | *100%* |
| Operating Expenses | | 32,296 | 0 | *100%* | 32,296 | 0 | *100%* |
| Operating Income | | $90,767 | $0 | *100%* | $90,767 | $0 | *100%* |

On June 1, 2024, White Owl and North Dakota SWD Well #1, LLC (“ND SWD Well #1”) entered into a joint venture for the purposes of upgrading, operating, decommissioning, and reclaiming (at the end of the joint venture) a saltwater disposal facility located near Killdeer, North Dakota (“Killdeer joint venture”). In exchange for a 50% participating interest in the Killdeer joint venture, the Company paid $273,000 (US$200,000) to ND SWD Well#1 and committed to spending an additional US$800,000 (US$400,000 net to White Owl) to the joint venture to complete plant turnaround activities and maintenance work (the “Initial Expenditure”). White Owl shall be entitled to distributions from net cash flow of 80% before pay-out of the Initial Expenditure and 50% after pay-out. An operating committee governs the Killdeer joint venture with an appointee from each of White Owl and ND SWD Well#1. Decisions of the operating committee require unanimous consent of the appointees.

Effective June 1, 2024, the Company disposed of a 50% effective interest in White Owl’s 50% participating interest in the Killdeer joint venture for $409,050 (US$300,000) which reflects the partner’s 50% share of the $818,100 (US$600,000) in consideration that White Owl is obligated to pay to ND SWD Well#1 under the terms of the Killdeer joint venture agreement. In addition, the partner paid cash of $272,000 (US$200,000) to White Owl for its 25% share of White Owl’s Initial Expenditure to the Killdeer joint venture, this amount is recorded in trade and other payables at June 30, 2024 and will be decreased as White Owl incurs the initial contribution costs to complete the plant turnaround activities and maintenance work. The partner's economic interest is equivalent to a 25% interest in the Killdeer joint venture. The partner, indirectly via White Owl, is entitled to a 25% share of the Killdeer joint venture assets and liabilities and distributions from net cash flow (40% before pay-out of the Initial Expenditure and 25% after pay-out).

As a result of this disposition of an economic interest, White Owl is entitled to a 25% share of the Killdeer joint venture assets and liabilities and distributions from net cash flow (40% before pay-out of the initial expenditure and 25% after pay-out).

The discussion below is based on total volumes for the facility while the financial information represents White Owl's 40% before payout interest in the Killdeer joint venture.

*Environmental and Safety:*

For the three and six months ended June 30, 2024, there were no reportable spills, environmental incidents or safety incidents.

*Operating Income:*

For the month of June 2024, the corporation's first month of ownership, operating income (net to White Owl) totaled $90,767, mainly due to strong oil sales. Please see *"Volumes"* and "*Revenues and Pricing"* below.

*Volumes:*

Killdeer is a busy area with 12 drilling rigs currently operating within ten miles of the Killdeer Facility. However, despite this activity volumes at the Killdeer SWD remain low and will remain so until White Owl completes the delayed maintenance and plant improvements required under the terms of the JV Agreement. White Owl is anticipating disposal volumes to increase in the second half of 2024 once the investment in capital and maintenance previously deferred by the former owners is completed. White Owl is also making improvements to decrease truck offload times and tank clean outs.

For the month of June 2024, fluid disposal volumes totaled 3,100 bpd (gross), comprising 550 bpd of trucked production water, 850 bpd of pipeline water and 1,700 bpd of oil-rich flowback water. The high proportion of flowback led to strong oil recoveries in June, totaling 3,421 barrels (gross) for the month.

*Revenues and Pricing:*

Total revenue for June 2024 was $123,063, net to White Owl's 40% before-payout interest. Recovered oil sales accounted for $87,923, or 71%, of total revenues, with fluid disposal revenues accounting for the remaining $35,140.

*Operating Costs and Royalties:*

Operating costs and royalties for June 2024 totalled $32,296, with the main expenses including labour, insurance, chemical costs, utilities, royalties and solids disposal costs. To handle the expected increased disposal volumes, the Corporation is currently in the process of hiring additional operating personnel.

*Capital Projects:*

In June 2024, capital expenditures mainly consisted of tank clean out costs which totaled $137,500, net to White Owl's interest.

**Epping SWD JV**

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

| | | Q2 2024 | Q2 2023 | Change | YTD 2024 | YTD 2023 | Change |
|---|---|---|---|---|---|---|---|
| Production Water-Trucked | b/d | 3,230 | 5,524 | -42% | 4,279 | 4,583 | -7% |
| Production Water-Piped | b/d | 2,976 | 3,812 | -22% | 3,057 | 3,678 | -17% |
| Flowback | b/d | 118 | 515 | -77% | 464 | 416 | 12% |
| Total Fluids Disposed | b/d | 6,324 | 9,851 | -36% | 7,800 | 8,676 | -10% |
| Oil Sales | b/qtr. yr. | 1,445 | 1,571 | -8% | 5,857 | 3,188 | 84% |
| | | | | | | | |
| Revenue: | | | | | | | |
| Production Water-Trucked | | $ 51,937 | $ 87,847 | -41% | $136,350 | $143,724 | -5% |
| Price for Production Water/bbl | | 0.50 | 0.50 | 0% | 0.50 | 0.50 | 1% |
| Production Water-Piped | | 49,293 | 63,133 | -22% | 101,257 | 121,160 | -16% |
| Price for Production Water/bbl | | 0.52 | 0.53 | -1% | 0.52 | 0.52 | 0% |
| Flowback | | 5,317 | 19,784 | -73% | 37,781 | 31,856 | 19% |
| Price for Flowback/bbl | | 1.42 | 1.22 | 16% | 1.28 | 1.21 | 6% |
| Recovered Oil | | 34,582 | 35,724 | -3% | 134,789 | 73,649 | 83% |
| Price for Oil/bbl | | 68.38 | 64.97 | 5% | 65.75 | 66.01 | 0% |
| Total Revenue | | 141,129 | 206,488 | -32% | 410,178 | 370,389 | 11% |
| Total Revenue/bbl. | | 0.70 | 0.67 | 5% | 0.83 | 0.67 | 23% |
| | | | | | | | |
| Operating Expenses | | 122,743 | 148,089 | -17% | 278,091 | 275,145 | 1% |
| | | | | | | | |
| Operating Income (loss) | | $ 18,386 | $ 58,400 | -69% | $132,087 | $95,244 | 39% |

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:*

For the three and six months ended June 30, 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 $19,000.

*Operating Income:*

For the six months ended June 30, 2024, operating income increased 39% to $132,087 from $95,244 for the prior year comparable period, mainly due significantly stronger recovered oil sales, while operating costs and royalties remained flat. Please see *"Volumes"* and *"Revenues and Pricing"* below.

Q2 2024 operating income decreased 69% to $18,386 from $58,400 for Q2 2023 mainly due to lower fluid disposal volumes resulting from a slow down in drilling and completion activity in the area in the second quarter.

*Volumes:*

Although the aforementioned slowdown in drilling and completion activity in the area has resulted in lower fluid disposal and recovered oil revenues in Q2 2024, there has been strong permitting activity in the area and several producers have forecast drilling and completion activity later in 2024 and in 2025 with the pipeline connected customer requesting a significant increase in disposal capacity for 2025.

For the six months ended June 30, 2024, fluid disposal volumes decreased 10% to 7,800 bpd from 8,676 bpd for the comparable prior year six-month period, with pipeline volumes accounting for 39% and 42% of total disposal volumes, respectively. Oil-rich flowback volumes were strong in the first three months of 2024 and accounted for 6% of total fluids disposed in the current six-month period versus an average of 3% for the 2023 year. The improved flowback volumes resulted in oil recoveries increasing 84% to 5,857 barrels for the six months ended June 30, 2024, from 3,188 barrels for the six months ended June 30, 2023, with most of the increase in oil volumes concentrated in the first quarter of 2024.

With the slow down in the drilling and completion activity in recent months, Q2 2024 fluid disposal volumes decreased 36% to 6,324 bpd for Q2 2024 from 9,851 bpd for Q2 2023 and resulted in an 8% decrease in recovered oil volumes between the two quarters. The decrease in well completion activity has led to oil-rich flowback volumes decreasing 77% to 118 bpd for Q2 2024 from 515 bpd for Q2 2023.

*Revenues and Pricing:*

Total revenue for the six months ended June 30, 2024, increased 11% to $410,178 from $370,389 for the prior year comparable period, mainly due to increased oil sales. Recovered oil revenues increased 83% to $134,789 for the current six-month period from $73,649 for the six months ended June 30, 2023, matching the increase in recovered oil volumes (up 84%). Fluid disposal revenues for the six months ended June 30, 2024, decreased 7% to $275,388 from $296,740 due to the 10% decrease in disposal volumes.

With the slowdown in producer activity, as discussed above, total revenues for Q2 2024 decreased 32% to $141,129 from $206,488 for Q2 2023. Fluid disposal revenues decreased 38% to $106,547 from $170,764 for Q2 2023, while recovered oil revenues remained relatively flat at $34,582 for Q2 2024 versus $35,724 for Q2 2023.

*Operating Costs and Royalties:*

For the six months ended June 30, 2024, operating costs and royalties remained relatively flat at $278,091 (or $0.56 per barrel) versus $275,145 (or $0.50 per barrel) for the prior year comparable period. Q2 2024 operating costs and royalties decreased 17% to $122,743 (or $0.61 per barrel) from $148,089 (or $0.47 per barrel) for Q2 2023 due to lower disposal volumes. However, the lower per-barrel, operating costs in 2024 are due to lower disposal volumes being spread across the fixed component of operating costs. In mid-April, the site went from having an operator onsite 24 hours per day to having an operator onsite 12 hours per day. This change was made to reduce fixed operating costs due to the lower volumes. Staffing will remain at this level while the lower volumes continue.

*Capital Projects:*

Capital expenditures totaled $41,800 for the three and six months ended June 30, 2024, comprising the installation of a sump collection system for the truck offloads, which was 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 three and six months ended June 30, 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 June 30, 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 Income from Discontinued Operation:*

For the three and six months ended June 30, 2024, the Corporation recorded net income from discontinued operation of nil versus $558,000 and $502,000 for the three and six months ended June 30, 2023, respectively.

| | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| ($000's) | **2024** | 2023 | **2024** | 2023 |
| **Revenue** | - | - | - | - |
| **Expenses** | | | | |
| Operating costs | - | 2 | - | 30 |
| General and administrative | - | 2 | - | 3 |
| Depreciation | - | - | - | 31 |
| Finance costs | - | 4 | - | 10 |
| Gain on disposition of subsidiary | - | - | - | |
| Government abandonment grant -in-kind | - | - | - | -10 |
| | - | 8 | - | 64 |
| **Gain on disposition of subsidiary** | - | 566 | - | 566 |
| **Net income from discontinued operation** | - | 558 | - | 502 |

## 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

M&A activity in the Bakken continues, with the Chord Enerplus deal now closed, the Hess Chevron transaction in arbitration and Devon making an offer to purchase Grayson Mill. Drilling budgets are typically disrupted with these transactions, especially if both companies are active in the Bakken. "They may have an entirely new rig schedule, trying to coordinate with the midstream folks to come up with gas capture plans," said Lynn Helms, North Dakota director of mineral resources.

Oil and gas production in North Dakota is now 1.3 million barrels per day and 3.5 BCF per day of liquids rich gas with the rig count now over 40 rigs. Further development activity depends on the price of oil and the ability of producers to find ways to reduce the cost of drilling and completing wells. While producers are working to maintain the status quo in oil production, gas production continues to rise to levels where more pipeline and gas processing capacity may be needed. Following on from the growing volumes of liquids rich gas, White Owl has identified opportunities to process the increasing volumes of condensate for its major customers and is presently investigating needed facility upgrades to handle this business.

### Dakota Access Pipeline

There have been no changes this quarter with the Dakota Access Pipeline remaining 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

During the quarter, as reported to shareholders at the recent Shareholder meeting, the Company executed a Memorandum of Understanding with representatives of the Company's preferred shareholders. The Memorandum of Understanding contemplates a plan to reorganize and redeem the issued and outstanding Series A preferred shares over time at a price to be determined at a later date. The details of the plan remain in development and once finalised all shareholders will have the opportunity to vote on the capital reorganization at a properly called Special Meeting of Shareholders. This meeting is scheduled for later in 2024.

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 and six months ended June 30, 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), net debt 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 reflected in 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.