
MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS

For the three and nine months ended September 30, 2024

Management's Discussion of Financial Results ("MDFR") is provided to assist readers in the assessment of the results of operations, liquidity and capital resources of White Owl Energy Services Inc. ("White Owl" or the "Company" or the "Corporation") as at and for the three and nine months ended September 30, 2024. White Owl is a private company and is not required to prepare and file Management's Discussion and Analysis ("MD&A") in accordance with regulatory requirements in Canada or the United States ("US"). **This MDFR does not constitute an MD&A for the purposes of Canadian or US securities laws and may not include all the information that might otherwise be required or expected thereunder.**

This MDFR is based on information available to November 21, 2024, and should be read in conjunction with White Owl's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2024, and 2023 as well as the audited consolidated financial statements for the years ended December 31, 2023, and 2022. The financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards.

All amounts are stated in Canadian dollars unless otherwise noted.

THIRD QUARTER AND YEAR TO DATE SEPTEMBER 30, 2024, HIGHLIGHTS

Highlights for the three and nine months ended September 30, 2024, are summarized as follows:

- EBITDA from continuing operations for the nine months ended September 30, 2024, is \$5,476,000, up 11% from \$4,949,000 for the nine months ended September 30, 2023, mainly due to recovered oil volumes increasing to 66,827 barrels for the current nine-month period from 60,237 barrels for the 2023 comparable period.
- Q3 2024 EBITDA from continuing operations is \$1,675,000 compared to \$1,884,000 for Q3 2023.
- The Corporation's outstanding bank loan balance is \$2,587,075 (US\$2,001,078) as at September 30, 2024 (before transaction costs), down 34% from \$3,919,575 (US\$2,963,538) as at December 31, 2023.
- The Corporation's cash and cash equivalents is \$2,866,547 (US\$2,123,525) as of September 30, 2024.
- The Corporation maintains a trailing twelve-month net debt to EBITDA ratio which improved to 0.00:1.00 as of September 30, 2024, from 0.33:1.00 as of December 31, 2023.
- The net operating income margin from continuing operations improved to 47% for the current nine-month period versus 44% for the comparable 2023 period and 42% for the year ended 2023.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

- Total revenue increased to \$15,335,000 for the nine months ended September 30, 2024, from \$14,989,000 for 2023 comparable period, mainly due to oil revenue increasing 6% to \$5,935,000 from \$5,586,000. Total revenue for Q3 2024 decreased 15% to \$4,962,000 from \$5,834,000 for Q3 2023, mainly due to oil revenue decreasing 21% to \$1,740,000 from \$2,209,000, as well as the temporary shut-down of the Alexander facility since mid-August for well maintenance. The Alexander facility resumed operations on October 4, 2024, after the successful completion of a well workover. *Please see Alexander Class 1 Facility on Page 12.*
- Operating costs and royalties per barrel decreased 16% to \$0.69 for Q3 2024 from \$0.82 for Q3 2023, mainly because the prior year quarter included well workover costs of \$0.08 per barrel for the New Town Saltwater Disposal (“SWD”) facility. Operating costs and royalties decreased to \$0.73 per barrel (or \$8,063,000) for the nine months ended September 30, 2024, from \$0.75 per barrel (or \$8,390,000) for the comparable 2023 period.
- Killdeer is a very active area with 12 drilling rigs currently operating within ten miles of the SWD facility. As a result, White Owl is anticipating disposal volumes to increase in 2025 once the investment in capital and maintenance previously deferred by the former owners is completed. White Owl is also making upgrades to improve truck offload times. The well was temporarily shut-in in mid-August for unforeseen repairs with a net cost to White Owl of approximately US\$125,000. The well resumed injection on October 24, 2024. *(Please see “Killdeer JV SWD Facility” on Page 15 for more information).*
- Capital expenditures for the three and nine months ended September 30, 2024, totaled \$1,005,000 and \$1,968,000, respectively. The year-to-date capital expenditures include \$738,000 and \$727,000 for the Ross SWD and New Town SWD injection system upgrades, respectively, \$170,000 for additions to spare parts inventory, \$150,000 for additions to field truck and bobcat equipment and \$59,000 for installation of sump pumps at the Epping SWD facility. The Ross SWD and New Town SWD upgrades involved the purchase and installation of permanent 800-hp horizontal pumps to replace the 600-hp rental pumps.

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WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended September 30 ⁽²⁾ ,			Nine months ended September 30 ⁽²⁾ ,		
(\$000's, unless otherwise noted)	2024	2023	%	2024	2023	%
Continuing operations						
North Dakota operations						
Disposal volumes (Bbls)	3,782,181	4,099,450	-8%	11,036,472	11,257,037	-2%
Recovered oil sales volumes (Bbls)	20,083	22,524	-11%	66,827	60,237	11%
Disposal revenue (\$ per Bbl)	\$0.80	\$0.85	-7%	\$0.81	\$0.81	0%
Oil sales revenue (\$ per Bbl)	\$86.64	\$98.06	-12%	\$88.82	\$92.73	-4%
Operating costs and royalties (\$ per Bbl)	\$0.69	\$0.82	-16%	\$0.73	\$0.75	-2%
North Dakota disposal and services revenue						
Disposal revenue	\$3,018	\$3,500	-14%	\$8,970	\$9,088	-1%
Oil sales revenue	1,740	2,209	-21%	5,935	5,586	6%
Other revenue	204	125	63%	430	315	37%
Total revenue – North Dakota continuing operations						
Operating costs	(2,619)	(3,376)	-22%	(8,063)	(8,390)	-4%
Operating income⁽¹⁾ – North Dakota continuing operations						
General and administrative expenses (“G&A”)	(668)	(574)	16%	(1,777)	(1,650)	8%
Bad debt expense	-	-	-	(19)	-	100%
EBITDA ⁽¹⁾ continuing operations						
	\$1,675	\$1,884	-11%	\$5,476	\$4,949	11%
Other income and expenses						
Depreciation	(617)	(490)	26%	(1,686)	(1,440)	17%
Amortization	(16)	(16)	-	(48)	(48)	-
Finance costs	(152)	(302)	-50%	(511)	(841)	-39%
Share-based payments	(2)	(9)	-78%	(13)	(41)	-68%
Bargain purchase gain	-	-	-	750	-	100%
Loss on disposition of joint operation interest	-	-	-	(375)	-	100%
Foreign exchange gain (losses)	310	(401)	-177%	(390)	(66)	491%
Gain (loss) on disposal of property, plant and equipment - net	20	-	100%	20	9	122%
Gain on loan payable forgiveness	-	20	-100%	-	20	-100%
Income tax expense	(2)	(1)	100%	(8)	(7)	14%
Net income from continuing operations						
	\$1,216	\$685	78%	\$3,215	\$2,535	27%
Income from discontinued operation						
	-	-	-	-	502	-100%
Net income						
	\$1,216	\$685	78%	\$3,215	\$3,037	6%

(1) Refer to “Non-GAAP Measures” on Page 29 for additional information.

EBITDA from continuing operations for the nine months ended September 30, 2024, increased 11% to \$5,476,000 from \$4,949,000 for the comparable 2023 period, mainly due to stronger recovered oil volumes which increased 11% to 66,827 barrels from 60,237 barrels between the periods. As a result, oil sales increased 6% to \$5,935,000 for the nine months ended September 30, 2024, from \$5,586,000 for nine months ended September 30, 2023, despite the netback oil price decreasing 4%. The increase in oil sales resulted in an

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

improved net operating income margin of 47% for the current nine-month period versus 44% for the comparable 2023 period and 42% for the 2023 year.

Q3 2024 EBITDA from continuing operations decreased 11% to \$1,675,000 from \$1,884,000 for Q3 2023, mainly due to the temporary shut-down of the Alexander Class 1 (“Alexander”) facility during August and September for a well workover. The facility resumed operations in October 2024.

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 nine months ending September 30, 2024, operating income increased 10% to \$7,272,000 from \$6,599,000 for the comparable 2023 period as higher oil sales (up by \$349,000 between the periods), and lower operating costs and royalties (down by \$327,000) more than offset slightly lower disposal revenues (down by \$118,000).

The New Town, Watford City and Epping SWD facilities recorded operating income increases of 65%, 111% and 31%, respectively, between the two nine-month periods. Operating income for the Ross SWD facility decreased 39% between the two nine-month periods due to decreased activity in the area. Operating income for the Tioga SWD facility was constant for the current nine-month period versus the 2023 comparable period, while operating income at Alexander decreased 60% due to well workover costs incurred in Q3 2024.

Q3 2024 operating income decreased 5% to \$2,343,000 from \$2,458,000 for Q3 2023 mainly due to lower oil sales and lower disposal revenue. Two of White Owl’s facilities recorded significantly higher operating income for Q3 2024, with increases of 453% and 77% at the New Town and Watford City SWD facilities, respectively, compared to Q3 2023. There was no change in operating income for the Epping SWD facility, while decreases of 38% and 31% were recorded at the Ross and Tioga SWD facilities, respectively. Due to the well workover costs, the Alexander Class 1 facility recorded an operating loss of \$157,000 for Q3 2024.

Volumes:

In 2024, oil and gas producers continue to be active across the North Dakota Bakken with the current rig count at 40 rigs, up from 33 rigs a year ago. The improved rig count and the related well completion activity led to stronger oil recovery for White Owl in 2024 compared to 2023. Recovered oil volumes increased 11% to 66,827 barrels for the nine months ended September 30, 2024, from 60,237 barrels for the 2023 comparable period. Significantly, oil volumes increased by 9,200 barrels at the Watford City facility for the nine months

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

ended September 30, 2024, versus the 2023 comparable period due to very strong oil recoveries in the first quarter of 2024. This increase was partially offset by a decrease of 4,000 barrels at the Ross SWD facility between the two nine-month periods due to slow producer activity in the area in the second and third quarters.

Q3 2024 recovered oil volumes decreased 11% to 20,082 barrels from 22,524 barrels for Q3 2023, mainly due to lower disposal volumes and lower oil recovery at the Ross SWD facility.

Disposal volumes for the nine months ended September 30, 2024, averaged 40,239 bpd, slightly lower than the 41,234-bpd recorded in the comparable 2023 period. Q3 2024 disposal volumes increased by 7,000 bpd at the New Town SWD facility versus Q3 2023, mainly due to increased producer activity and the temporary shut-in of a neighboring SWD facility for maintenance. This increase was offset by a decrease of 7,600 bpd at the Ross SWD facility between the quarters due to the slowdown in producer activity in the area. 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.

Non-hazardous industrial water disposed at the Alexander facility is included in total fluid disposal volumes mentioned above and decreased 25% to 74,550 barrels for the nine months ended September 30, 2024, from 97,541 barrels for the comparable 2023 nine-month period. The decrease is due to the temporary shut-down of the Alexander facility for the months of August and September 2024 to complete a workover on the well. The well returned to service in October. (*Please see “Alexander Class 1 Facility” on Page 12*).

Revenue and Pricing:

For the nine months ended September 30, 2024, total revenue increased 2% to \$15,335,000 from \$14,989,000 for the nine months ended September 30, 2023, mainly due to oil sales increasing 6% to \$5,935,000 from \$5,586,000. Disposal revenue remained relatively flat at \$8,970,000 for the current nine-month period compared to \$9,088,000 for the comparable nine-month period, matching the relatively consistent disposal volumes between the periods. Fluid disposal pricing averaged \$0.81 per barrel, unchanged from 2023.

Total revenue for Q3 2024 decreased 15% to \$4,962,000 from \$5,834,000 for Q3 2023, mainly due to oil sales decreasing 21% to \$1,740,000 from \$2,209,000. The decrease is due to the 11% decrease in oil sales, a 12% decrease in the net oil price between the two quarters and no revenue from Alexander during the 2-month shutdown of the Class 1 business.

Recovered oil sales continue to be a material component of revenues and accounted for 35% and 39% of total revenue for the three and nine months ended September 30, 2024, respectively, versus 38% and 37%, respectively, for the comparable 2023 periods.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

The Corporation's netback oil price decreased 12% to US\$63.92 per barrel for Q3 2024 from US\$73.01 per barrel for Q3 2023. For the nine months ended September 30, 2024, the Corporation's netback oil price decreased 5% to US\$65.45 from US\$68.89 for the 2023 comparable period. 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 Q3 2024 of US\$3.02 per barrel compared to a positive differential of US\$0.81 per barrel for Q3 2023.

Other revenue which includes overhead recoveries for management of joint venture operations and interest earned on cash deposits, increased 63% to \$204,000 for Q3 2024 from \$125,000 for Q3 2023 mainly due to overhead recovery fees for management of the Killdeer joint venture, of which White Owl became the operator effective June 1, 2024. *(Please see Page 15 for more information on the **Killdeer SWD JV Facility**).*

For the nine months ended September 30, 2024, other revenue increased 37% to \$430,000 from \$315,000 for the 2023 comparable period mainly due to the addition of Killdeer.

Operating Costs and Royalties:

For Q3 2024, operating costs and royalties per barrel decreased 16% to \$0.69 from \$0.82 for Q3 2023, mainly because the prior year quarter included well workover costs of \$0.08 per barrel for the New Town SWD facility.

For the nine months ended September 30, 2024, operating costs and royalties decreased 2% to \$0.73 per barrel (or \$8,063,000) from \$0.75 per barrel (or \$8,390,000) for the 2023 comparable period.

Alberta – Discontinued Operation

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

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

REVENUE AND OPERATING INCOME (LOSS) BY FACILITY

(\$000's)	Three months ended September 30 ⁽²⁾ ,			Nine months ended September 30 ⁽²⁾ ,		
	2024	2023	%	2024	2023	%
Oilfield waste disposal and oil sales						
New Town	1,585	1,219	30%	4,154	3,817	9%
Watford City	834	720	16%	3,480	2,430	43%
Ross	1,405	2,485	-43%	4,029	5,472	-26%
Alexander	130	274	-53%	655	674	-3%
Tioga JV	454	720	-37%	1,512	1,491	1%
Epping JV	188	291	-35%	744	790	-6%
Killdeer JV	162	-	100%	331	-	100%
	4,758	5,709	-17%	14,905	14,674	2%
Other revenue	204	125	63%	430	315	37%
Total revenue	4,962	5,834	-15%	15,335	14,989	2%
Operating income (loss) from continuing operations						
New Town	896	162	453%	2,160	1,312	65%
Watford City	387	219	77%	1,970	934	111%
Ross	892	1,440	-38%	1,797	2,964	-39%
Alexander	(157)	151	-204%	113	280	-60%
Tioga JV	229	330	-31%	607	635	-4%
Epping JV	30	31	-3%	209	159	31%
Killdeer JV	(138)	-	-100%	(14)	-	-100%
Other revenue	204	125	63%	430	315	37%
Operating income ⁽¹⁾ from continuing operations	2,343	2,458	-5%	7,272	6,599	-10%
Operating loss ⁽¹⁾ discontinued operation	-	-	-	-	-29	-100%
Total operating income ⁽¹⁾	2,343	2,458	-5%	7,272	6,570	11%

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

New Town SWD Facility

Environmental and Safety:

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

Operating Income:

For the three and nine months ended September 30, 2024, operating income increased 453% and 65% to \$896,000 and \$2,160,000, respectively, from \$162,000 and \$1,312,000, for the 2023 comparable periods, respectively. The increased operating income is mainly due to increased volumes during Q3 2024 driven by producer activity in the area, as well as volumes being diverted from a neighbouring SWD facility which was

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

shut down for maintenance. Operating costs for the current quarter and year-to-date were also lower than in 2023, as the prior year included well workover costs of \$342,000.

Volumes:

Q3 2024 disposal volumes increased significantly by 7,034 bpd to 18,106 bpd from 11,072 bpd for Q3 2023 due to increased producer activity in the area and the shut-down of a neighboring SWD facility for maintenance. The increase in Q3 2024 disposal volumes resulted in 14,417 bpd for the nine months ended September 30, 2024 versus 12,566 bpd for the comparable 2023 period. We expect disposal volumes to remain in the 14,000 to 15,000 bpd range for the remainder of 2024, in response to increased well completion activity in the area.

Despite the significant increase in volumes, recovered oil improved only marginally. For the three and nine months ended September 30, 2024, oil volumes were 5,576 barrels and 17,035 barrels, respectively, versus 5,539 barrels and 16,963 barrels for the 2023 comparable periods, respectively. Oil recovery can vary from month to month and depends on the mix of production and flowback volumes.

Flowback continues to be weak at this site for two reasons: firstly, there is competitive pressure from an adjoining SWD where the competitor prices flowback 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 419 bpd and 308 bpd for the three and nine months ended September 30, 2024, respectively, compared to 125 bpd and 153 bpd for the three and nine months ended September 30, 2023, respectively. The Corporation is planning to add additional high speed unload capacity in 2025.

Revenue and Pricing:

For the three and nine months ended September 30, 2024, total revenue increased 30% and 9% to \$1,585,000 and \$4,154,000, respectively, from \$1,219,000 and \$3,187,000 for the three and nine months ended September 30, 2023.

There was little change in oil sales however, lower oil prices resulted in oil revenue decreasing to \$485,000 and \$1,510,000 for the three and nine months ended September 30, 2024, respectively, from \$537,000 and \$1,559,000 for the 2023 comparable periods, respectively.

Operating Costs and Royalties:

For the three months ended September 30, 2024, operating costs and royalties decreased 35% to \$689,000 from \$1,057,000 for Q3 2023. On a unit basis, operating costs decreased to \$0.41 per barrel for Q3 2024 from \$1.04 per barrel for Q3 2023 mainly due to significantly higher disposal volumes in the current quarter. The higher costs in Q3 2023 were also a result of well workover costs.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

For the nine months ended September 30, 2024, operating costs and royalties decreased 20% to \$1,994,000 (or \$0.50 per barrel) from \$2,505,000 (or \$0.73 per barrel) for the nine months ended September 30, 2023. The decrease was due to lower repairs and maintenance, lower unit operating costs and \$0.07 per barrel inclusion in Q3 2023 for the well workover.

Capital Projects:

Capital projects for the three and nine months ended September 30, 2024, totaled \$120,000 and \$727,000, respectively. During the period there was an investment in the purchase and installation of a permanent 800-hp horizontal pump and PLC 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.

Watford City SWD Facility

Environmental and Safety:

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

Operating Income:

For the nine months ended September 30, 2024, operating income more than doubled to \$1,970,000 from \$934,000 for the 2023 comparable period, mainly due to the significantly higher oil and disposal revenue. Oil sales and disposal revenue increased by \$777,000 and \$274,000, respectively, while operating costs remained constant. As a result, Q3 2024 operating income increased 77% \$387,000 from \$129,000 for Q3 2023.

Volumes:

In 2024 business has improved at the Watford City SWD facility. The increase in drilling and competition activity combined with a change in customer mix has led to recovered oil increasing 87% to 19,776 barrels for the nine months ended September 30, 2024, from 10,600 barrels for the 2023 comparable period. In Q3 2024, recovered oil sales increased 53% to 4,650 barrels from 3,046 barrels for Q3 2023.

The increased well completion activity in the area resulted in higher flowback which increased 48% to 667 bpd for the nine months ended September 30, 2024, from 452 bpd for the 2023 comparable period.

Overall, for the nine months ended September 30, 2024, disposal volumes increased 12% to 8,296 bpd from 7,412 bpd for the 2023 comparable period, while volumes for Q3 2024 increased 6% to 6,197 bpd from 5,843 bpd for Q3 2023.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

Revenues and Pricing:

For the nine months ended September 30, 2024, total revenue increased 43% to \$3,480,000 from \$2,430,000 for the 2023 comparable period. This increase in revenue is mainly due to recovered oil sales increasing 80% to \$1,753,000 for the current period from \$976,000 for the 2023 comparable period. The higher oil sales more than offset a 5% decrease in the net oil price between the two nine-month periods. Disposal revenue increased 19% to \$1,727,000 from \$1,454,000 as a result of increased flowback pricing and higher volumes of production water.

For Q3 2024, total revenue increased 16% to \$834,000 from \$720,000 for Q3 2023, with oil revenue increasing 24% and disposal revenue increasing 7% between the quarters.

Operating Costs and Royalties:

For the nine months ended September 30, 2024, there was little change in operating costs and royalties with these costs at \$1,510,000 (or \$0.66 per barrel) versus \$1,496,000 (or \$0.74 per barrel) for the 2023 comparable period.

For Q3 2024, operating costs and royalties decreased 11% to \$447,000 (or \$0.78 per barrel) from \$501,000 (or \$0.93 per barrel) for Q3 2023 despite a decrease in disposal volumes of 6% between the two quarters. The decrease is mainly due to lower repairs and maintenance expenses.

Capital Projects:

Capital projects at this site were minimal, totaling \$24,800 for the nine months ended September 30, 2024.

Ross SWD Facility

Environmental and Safety:

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

Operating Income:

For the nine months ended September 30, 2024, operating income decreased 39% to \$1,797,000 from \$2,964,000 for the comparable 2023 period. The decrease was a result of lower oil sales (down by \$489,000, or 24% between the two nine-month periods) and lower disposal revenue (down by \$958,000, or 29%).

For Q3 2024, operating income decreased 38% to \$892,000 from \$1,440,000 for Q3 2023, again mainly due to lower oil sales (down by 45% between the two quarters) and lower disposal revenue (down by 43%). Please see “Volumes” below.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

Volumes:

At the Ross SWD facility, producer drilling and completion activity in the area tends to be cyclical and the second and third quarters of 2024 were relatively slow. For the three and nine months ended September 30, 2024, disposal volumes and oil sales decreased from the prior year comparable periods. However, the decrease in volumes is expected to be temporary and we are expecting a rebound in business at this facility in 2025 as a result of increased producer and permitting activity during the third quarter.

For the nine months ended September 30, 2024, disposal volumes decreased 28% to 10,428 bpd from 14,470 bpd for the 2023 comparable period, while oil sales decreased 19% to 18,300 barrels from 22,708 barrels for the 2023 comparable period.

For the three months ended September 30, 2024, disposal volumes decreased 41% to 10,847 bpd from 18,411 bpd for Q3 2023, while oil sales decreased 39% to 6,020 barrels from 9,842 barrels for Q3 2023.

Revenues and Pricing:

For the six months ended September 30, 2024, total revenue decreased 26% to \$4,029,000 from \$5,472,000 for the 2023 comparable period. Oil sales decreased on 19% lower volumes to \$1,632,000 for the current nine-month period from \$2,122,000 for the comparable period last year. Disposal revenue decreased 28% to \$2,397,000 for the nine months ended September 30, 2024, from \$3,350,000 for the comparable prior year period, again due to the cyclical nature of activity in the area.

For the three months ended September 30, 2024, total revenue decreased 43% to \$1,405,000 from \$2,485,000 for Q3 2023. This was a result of a 42% decrease in disposal revenue as a result of the 41% decrease in volumes between the two quarters. Q3 2024 oil sales decreased 45% due to lower volumes and a 12% decrease in the netback price.

Operating Costs and Royalties:

Q3 2024 operating costs decreased 51% to \$514,000 (or \$0.51 per barrel) from \$1,044,000 (or \$0.62 per barrel) for Q3 2023. The decrease was due to a 41% decrease in disposal volumes and a decrease in repairs and maintenance from the prior year quarter.

For the nine months ended September 30, 2024, operating costs and royalties decreased 11% to \$2,232,000 from \$2,508,000 for the prior year comparable period. On a barrel basis, operating costs increased to \$0.78 per barrel from \$0.63 per barrel for the comparable period last year. This increase was a result of the 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 and increased expenses for labour and filters.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

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 increased daytime trucking and disposal demand. As discussed under “Volumes” above, we are expecting a rebound in disposal volumes at this facility in 2025. Finally, labour costs increased 10% between the two nine-month periods as the Corporation returned to full staffing combined with pay rate increases implemented at the beginning of the current year.

Capital Projects:

Capital projects for the nine months ended September 30, 2024, totaled \$738,000. During the period there was an investment in the purchase and installation of a permanent 800-hp horizontal pump and PLC to replace the two temporary rental pumps. This project is expected to be commissioned in November 2024 and will provide increased injection capacity of about 3,000 bpd in anticipation of higher disposal volumes in 2025.

Alexander Class 1 Facility

White Owl’s Class 1 water disposal business was established in 2019 with the conversion of the underutilised Alexander Class 2 SWD to Class 1 disposal. The customer base includes producers, pipeline operators and landfill operators as well as small generators of non-hazardous waste. 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 nine months ended September 30, 2024, and no incidents in all of 2023.

Operating Income:

During Q3 2024 the well was shut in for a period to allow repairs to the tubing. As a result, operating income at this facility decreased to \$113,000 for the nine months ended September 30, 2024, from \$280,000 for the 2023 comparable period. Due to the costly workover, the facility recorded an operating loss of \$157,000 for Q3 2024 versus operating income of \$151,000 for Q3 2023.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

Volumes:

For the nine months ended September 30, 2024, volumes decreased 24% to 74,550 barrels from 97,552 barrels for the 2023 comparable period due to the temporary halt in operations in Q3 2024 to complete the workover. As a result, Q3 2024 recorded volumes of 14,018 barrels, down from 39,712 barrels for Q3 2023.

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 six months of 2024 when 60,532 barrels were disposed versus 57,829 barrels for the 2023 comparable period. The Class 1 business is typically a spring, summer and fall business due to freezing of the fresh water during the winter months. Typically, approximately 70% of the annual disposal volumes at this facility are received in the second and third quarters of the year. To meet the increased demand by customers, management is examining options to add injection capacity to its Class 1 disposal business.

Revenues and Pricing:

For the nine months ended September 30, 2024, total revenue decreased 3% to \$655,000 from \$674,000 for the 2023 comparable period. Price increases implemented in Q4 2024 virtually offset the 24% decrease in injection volumes due to the workover. Q3 2024 total revenue decreased 53% to \$130,000 from \$274,000 as volumes decreased 65% between the quarters due to the well shut in. Please see “*Volumes*” above.

Operating Costs and Royalties:

For the nine months ended September 30, 2024, workover costs of \$134,000 recorded in the third quarter resulted in operating costs and royalties increasing 38% to \$542,000 from \$394,000 for the 2023 comparable period. Q3 2024 operating costs and royalties increased to \$287,000 from \$123,000.

Capital Projects:

Capital projects at this site were minimal, totaling \$14,400 for the nine months ended September 30, 2024.

Tioga SWD JV Facility

The discussion below is based on total volumes for the facility while the financial information represents White Owl’s 47% interest in the Tioga JV. The Tioga SWD facility is one of four pipeline-connected facilities among the Corporation’s total suite of six Class 1 SWD facilities, the others being Watford City, Epping and Killdeer.

Environmental and Safety:

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

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

Operating Income:

There was little change in operating income for the nine months ended September 30, 2024, at \$607,000 versus \$635,000 for the 2023 comparable period. An increase in disposal revenue was offset by lower oil sales and lower operating costs and royalties. Please see “*Volumes*” and “*Revenues and Pricing*” below.

Q3 2024 operating income decreased 31% to \$229,000 from \$330,000 for Q3 2023, as disposal revenue and oil sales decreased by \$98,000 and \$168,000, respectively, more than offsetting a \$165,000 decrease in operating costs and royalties.

Volumes:

For the nine months ended September 30, 2024, disposal volumes increased 25% to 8,400 bpd from 6,741 bpd for the 2023 comparable period. Notably, pipeline volumes totaled 2,863 bpd, or 34% of total disposal volumes for the current nine-month period versus negligible pipeline volumes for the 2023 nine-month period.

Although disposal and oil volumes were lower in Q3 2024 than in Q3 2023, area activity in Q4 2024 has shown a material increase. Disposal volumes for Q3 2024 decreased 38% to 6,225 bpd from 9,998 bpd for Q3 2023, with Q3 2024 pipeline volumes totaling 3,394 bpd, or 55% of total disposal volumes for the quarter, versus negligible pipeline volumes for Q3 2023.

The higher rate of pipeline volumes resulted in a decrease in recovered oil volumes as there is little oil to be recovered from pipeline water. For the nine months ended September 30, 2024, oil volumes decreased 20% to 14,458 barrels from 18,179 barrels for the 2023 comparable period.

Similarly, the very high proportion (55%) of pipelines volumes in Q3 2024 led to oil volumes decreasing 38% to 4,965 barrels from 8,063 barrels for Q3 2023.

Revenues and Pricing:

For the nine months ended September 30, 2024, total revenue, net to White Owl, remained flat at \$1,512,000 versus \$1,491,000 for the 2023 comparable period as higher disposal revenue offset lower oil sales. Disposal revenue increased 31% to \$907,000 for the nine months from \$693,000, mainly due to the 25% increase in disposal volumes and a 10% increase in production water pricing between the two nine-month periods. Recovered oil sales decreased 24% to \$607,000 for the current nine-month period from \$798,000 for the 2023 nine-month period, as oil volumes decreased 20% and the netback price was 5% lower.

Q3 2024 total revenue, net to White Owl, decreased 37% to \$454,000 from \$720,000 for Q3 2023. Disposal revenues decreased 28% to \$249,000 from \$347,000 despite improved pricing for trucked-in and flowback

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

volumes. Oil sales decreased 45% to \$205,000 for Q3 2024 from \$373,000 for Q3 2023, due to the 38% decrease in recovered oil combining with a 11% decrease in the netback oil price.

Operating Costs and Royalties:

For the nine months ended September 30, 2024, operating costs and royalties increased 6% to \$905,000 from \$856,000 for the 2023 comparable period. On a per barrel basis, operating costs decreased to \$0.84 per barrel for the current nine-month period from \$0.99 per barrel for the comparable period last year due to the higher volumes. In line with its goal to reduce pump maintenance at all locations, the Triplex pumps were replaced with a rental horizontal pump during Q4 2023. This pump has reduced the facility's downtime for maintenance and increased the injection capacity by approximately 2,000 bpd, however energy costs have increased. Plans are being developed to replace the rental pump with a permanent horizontal pump and PLC in 2025.

Q3 2024 operating costs and royalties decreased 42% to \$225,000 (or \$0.84 per barrel) from \$390,000 (or \$0.90 per barrel) for Q3 2023, approximately matching the 38% decrease in disposal between the quarters.

Capital Projects:

There was minimal capital spent at this facility (\$5,900) for the nine months ended September 30, 2024. However, during the fourth quarter of 2023, the rental pump referenced above was installed and 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 is budgeted to be replaced with a White Owl horizontal pump in 2025.

Killdeer SWD JV Facility

Effective June 1, 2024, the Company entered into the Killdeer joint venture ("Killdeer JV"). The Company earns a 50% participating interest in the Killdeer JV by paying US\$200,000 to North Dakota SWD Well #1, LLC ("ND SWD Well #1") and committing to spend an additional US\$800,000 to complete plant turnaround activities and maintenance work.

Also, effective June 1, 2024, the Company disposed of a 50% interest in its 50% participating interest in the Killdeer JV to a partner ("White Owl Partner") for US\$500,000 which reflects the White Owl Partner's 50% share of the consideration that White Owl is obligated to pay under the terms of the Killdeer joint venture agreement ("JV Agreement"). With the White Owl Partner's participation, White Owl's net investment is US\$500,000 to earn 25% interest in the Killdeer JV's assets and liabilities.

During August, the injection well was shut in for repairs. The well had incurred significant damage over the past 2 years with parted and corroded tubing and significant solids content in the well bore. The resulting workover included removal of solids from the well, reperforating and acidizing the injection zone and replacing

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

the entire damaged tubing string. To pay for the unexpected workover costs which are estimated at \$1.0 million (gross), ND SWD Well#1 has agreed to pay 75% of these costs, with the net cost to White Owl estimated at \$125,000 (that is 25% of the estimated \$1.0 million, split between White Owl and the White Owl Partner).

With the disposition to the White Owl Partner, as discussed above, White Owl is entitled to a 25% share of the Killdeer JV assets and liabilities and distributions from net cash flow until ND SWD#1 recovers its share of the workover costs. Once this payout has been achieved, White Owl will then receive 40% of the cash flows until it recovers its \$500,000 investment. Thereafter the Corporation will receive 25% of the cash flows.

The discussion below is based on total volumes for the facility while the financial information represents White Owl's 25% before payout interest in the Killdeer JV.

Environmental and Safety:

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

Operating Income:

For the three and nine months ended September 30, 2024, this facility recorded an operating loss of \$138,000 and \$14,000, respectively, due to the shutting-in of the facility in mid-August 2024, as discussed above. 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 will remain relatively low 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 2025 once the investment in capital and maintenance previously deferred by the former owners is completed.

For the three months ended September 30, 2024, with the facility shut-in for half of the quarter for well repairs, fluid disposal volumes totaled 1,610 bpd (gross), comprising 675 bpd of trucked production water, 330 bpd of pipeline water and 605 bpd of flowback water. Q3 2024 oil sales volumes totaled 2,757 barrels (gross). This compares to the month of June, White Owl's first month as a part owner of this facility, with volumes totaling 3,114 bpd (gross) and 3,421 barrels (gross) of oil sold.

Revenues and Pricing:

For the three and nine months ended September 30, 2024, total revenue totaled \$162,000 and \$331,000 respectively, net to White Owl's interest. Oil sales accounted for \$98,000 and \$218,000 for the three and nine

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

months ended September 30, 2024, respectively, with disposal revenue accounting for \$64,000 and \$113,000, respectively.

Operating Costs and Royalties:

For the three and nine months ended September 30, 2024, operating costs and royalties totalled \$300,000 and \$345,000, respectively, net to White Owl's interest, 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:

From June 1, 2024, to September 30, 2024, capital expenditures totaled \$158,000 net to White Owl's 25% interest.

Epping SWD JV Facility

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 nine months ended September 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 nine months ended September 30, 2024, operating income increased 31% to \$209,000 from \$159,000 for the 2023 comparable period, mainly due to stronger oil sales which increased by \$89,000 between the two nine-month periods.

Q3 2024 operating income changed little to \$30,000 versus \$31,000 for Q3 2023 as lower disposal revenues were offset by lower operating costs and royalties. Please see "*Volumes*" and "*Revenues and Pricing*" below.

Volumes:

A slowdown in drilling and completion activity in the area during the second quarter has resulted in lower disposal and oil revenues in Q3 2024. However, there has been strong permitting activity in the area and several producers have forecast drilling and completion activity in Q4 2024 and in 2025 with the pipeline connected customer requesting a significant increase in disposal capacity commencing in late 2025.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

For the nine months ended September 30, 2024, flowback volumes increased resulting in oil sales increasing 72% to 6,998 barrels from 4,064 barrels for the nine months ended September 30, 2023. Flow back accounted for 5% of total fluids disposed in the current six-month period versus an average of 3% for the 2023 year. With the slow down in drilling and completion activity during the second quarter, disposal volumes decreased 25% to 7,329 bpd for the nine months ended September 30, 2024, from 9,729 bpd for the 2023 comparable period.

In Q3 2024, oil sales increased to 1,141 barrels from 876 barrels for Q3 2023 due to the increased flowback, even though total disposal volumes decreased 45% to 6,397 bpd from 11,718 bpd between the two quarters.

Revenues and Pricing:

Total revenue for the nine months ended September 30, 2024, decreased 6% to \$744,000 from \$790,000 for the 2023 comparable period, as increased oil sales mostly offset lower disposal revenues. Oil sales increased 70% to \$217,000 from \$128,000 approximately matching the 72% increase in oil volumes between the two nine-month periods. Disposal revenue decreased 20% to \$527,000 for the nine months ended September 30, 2024, from \$662,000 due to lower disposal volumes.

With the slowdown in producer activity, as discussed above, total revenue for Q3 2024 decreased 35% to \$188,000 from \$291,000 for Q3 2023. Oil sales increased 17% to \$34,000 for Q3 2024 from \$29,000 for Q3 2023, while disposal revenue decreased 41% to \$154,000 from \$262,000 for Q3 2023, matching the decrease in disposal volumes.

Operating Costs and Royalties:

For the nine months ended September 30, 2024, operating costs and royalties decreased 15% to \$535,000 (or \$0.76 per barrel) versus \$631,000 (or \$0.68 per barrel) for the 2023 comparable period. Q3 2024 operating costs and royalties decreased 39% to \$158,000 (or \$0.77 per barrel) from \$260,000 (or \$0.69 per barrel) for Q3 2023 due to lower disposal volumes. The higher 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 return to 24 hours per day once activity and volumes pick back up.

Capital Projects:

Capital expenditures totaled \$64,000 for the nine months ended September 30, 2024, comprising the installation of a sump collection system for the truck offloads, which was completed in the second quarter. This upgrade will help capture small amounts of oil remaining on trucks at the end of the unload process.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

Canada

Discontinued Operation:

Effective October 14, 2022, the Company disposed of the Clairmont Terminal assets and associated liabilities to its joint venture partner for \$1,400,000 (\$1,250,000 net of costs). The disposition consisted of Clairmont Terminal property, plant and equipment, four associated wells and associated decommissioning liabilities and surface lease liabilities. After this disposition, the remaining oil and gas assets at Clairmont were considered to be a discontinued operation for accounting purposes.

Disposal of Remaining Oil and Gas Assets:

Effective May 24, 2023, the Company disposed of its wholly owned subsidiary White Owl Energy Services Ltd. for nominal consideration, subject to closing conditions and adjustments. This subsidiary held the remaining oil and gas properties at Clairmont. The disposition included cash and cash equivalents, deposits, trade and other accounts receivables, oil and gas property, plant and equipment and the assumption of trade and other accounts payables, promissory note, surface lease liabilities and all decommissioning liabilities associated with the Clairmont oil and gas assets. As a result of this transaction, the Company recognized a gain on disposition of subsidiary of \$566,000 in comprehensive income for the three and nine months ended September 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 September 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 nine months ended September 30, 2024, the Corporation recorded net income from discontinued operation of nil versus nil and \$502,000 for the three and nine months ended September 30, 2023, respectively.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

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

OTHER REVENUE

Other revenue includes operational, administration and capital fees charged by White Owl for services provided by White Owl to the Tioga JV, Killdeer JV and Epping JV, as well as interest earned on cash deposits. Other revenue for Q3 2024 increased 63% to \$204,000 from \$125,000 for Q3 2023, mainly due to overhead recovery fees for management of the Killdeer JV, of which White Owl became the operator effective June 1, 2024. For the nine months ended September 30, 2024, other revenue increased 37% to \$430,000 from \$315,000 for the 2023 comparable period, also due to management of the Killdeer JV.

G&A EXPENSES

(\$000's)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Salaries and management	322	345	988	1,000
Professional Fees	223	112	409	264
Travel and related expenses	20	19	79	66
General office expenses	85	87	252	258
Third party consulting fees	18	11	49	62
Total from continuing operations	668	574	1,777	1,650
Discontinued operation	-	-	-	3
Total	668	574	1,777	1,653

Q3 2024 G&A expenses from continuing operations increased 4% to \$668,000 from \$574,000 for Q3 2023, mainly due to higher professional fees for legal expenses incurred in relation to the execution on June 26, 2024,

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

of a Capital Reorganization Term Sheet with representatives of the Company's preferred shareholders (*please see "Corporate Review" on Page 28*).

For the nine months ended September 30, 2024, G&A expenses from continuing operations increased to \$1,777,000 from \$1,653,000 for the 2023 comparable period. Professional fees were higher for the current nine-month period for the reasons mentioned in the previous paragraph.

DEPRECIATION

Depreciation from continuing operations increased to \$617,000 for Q3 2024 from \$490,000 for Q3 2023. For the nine months ended September 30, 2024, depreciation from continuing operations increased to \$1,686,000 from \$1,440,000 for the 2023 comparable period. The increase is mainly due to capital costs incurred in the second half of 2023 and in the first half of 2024. Please see **"Investing Activities"** on Page 24.

IMPAIRMENT

At September 30, 2024, White Owl evaluated its property, plant and equipment for indicators or any potential impairment or related reversal. No indicators were identified and no impairment or related reversal was recorded on North Dakota CGUs' property, plant and equipment assets.

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

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

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WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

<u>FINANCE COSTS</u>	Three months ended September 30,		Nine months ended September 30,	
(\$000's)	2024	2023	2024	2023
Interest on long-term debt	81	176	283	596
Interest on lease liabilities	7	3	13	10
Accretion of decommissioning obligations	15	14	44	40
Accretion of transaction costs	39	45	130	116
Interest (income) expenses, bank charges and other	10	64	41	79
Total from continuing operations	152	302	511	841
Discontinued operation	-	-	-	10
Total	152	302	511	851

For the three months ended September 30, 2024, the Company's average interest rate on the senior lender's long-term debt was 11.33% compared to 11.25% for Q3 2023. For the nine months ended September 30, 2024, the Company's average interest rate on the senior lender's long-term debt was 11.36% compared to 10.38% for the 2023 comparable period. The interest rate is calculated at the US dollar floating interest rate plus 1.50%.

For the three months ended September 30, 2024, interest on long-term debt decreased to \$81,000 from \$176,000 for Q3 2023 due to significant term loan principal repayments in 2023, as discussed under “**Long-Term Debt and Operating Loan**” on Page 25. The average outstanding debt decreased to US\$2.1 million for Q3 2024 from US\$4.2 million for Q2 2023.

For the nine months ended September 30, 2024, interest on long-term debt decreased to \$283,000 from \$596,000 for the 2023 comparable period, again due to the significant term loan principal repayments in 2023. The average outstanding debt decreased to US\$2.5 million for the nine months ended June 30, 2024, from US\$5.9 million for the 2023 comparable period.

FOREIGN EXCHANGE GAINS AND LOSSES

The foreign exchange gains and losses reflect the impact of changes in exchange rates on US dollar cash balances and short-term intercompany loans. For the three months ended September 30, 2024, the Company recorded a foreign exchange gain of \$310,000 compared to foreign exchange losses of \$401,000 for Q3 2023. For the nine months ended September 30, 2024, the Company recorded foreign exchange losses of \$390,000 compared to \$66,000 for the 2023 comparable period.

The average exchange rate for Q3 2024 was 1.36374 compared to 1.3412 for Q3 2023. The average exchange rate for the nine months ended September 30, 2024, was 1.3603 compared to 1.3454 for the 2023 comparable period.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

SHARE-BASED PAYMENTS

Share-based payments relate to the amortization of the fair value of stock options issued to management, employees and directors of the Company. For the three months ended September 30, 2024, the Company recorded share-based payments of \$2,000 compared to \$9,000 for Q3 2023. For the nine months ended September 30, 2024, the Company recorded share-based payments of \$13,000 compared to \$41,000 for the 2023 comparable period. The decrease in share-based payments expense is due to the forfeiture of options related to retiring employees in the second half of 2023 and to the exercise of options in Q2 2024.

SUMMARY OF QUARTERLY RESULTS FROM CONTINUING OPERATIONS

(\$000's)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Revenue ⁽²⁾	\$4,962	\$5,094	\$5,279	\$5,273	\$5,834	\$4,802	\$4,353	\$4,199
EBITDA ⁽¹⁾	1,675	1,705	2,094	1,541	1,884	1,651	1,414	1,389
Net income from continuing operations ⁽²⁾	1,216	1,118	881	770	685	1,184	666	821
Net income (loss) from discontinued operation	-	-	-	-	-	558	(56)	(48)

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

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

The increase in net income from continuing operations to \$1,216,000 for Q3 2024 from \$1,118,000 for Q2 2024 is mainly due to lower operating costs and royalties. The increase in net income from continuing operations to \$1,118,000 for Q2 2024 from \$881,000 for Q1 2024 is mainly due to a bargain purchase gain of \$750,000 related to the Company's investment in the Killdeer JV effective June 1, 2024. This bargain purchase gain was partially offset by a loss of \$375,000 related to the White Owl's disposition of 50% of its participating interest in the Killdeer JV, also effective June 1, 2024. The increase in net income from continuing operations to \$881,000 for Q1 2024 from \$770,000 for Q4 2023 is mainly due to increased oil revenues, partially offset by foreign exchange losses. The decrease in net income from continuing operations to \$770,000 for Q4 2023 and \$685,000 for Q3 2023 from \$1,184,000 for Q2 2023 is mainly due to an impairment charge of \$470,000 recorded in Q4 2023 and a foreign exchange loss recorded in Q3 2023, compared to a foreign exchange gain of \$335,000 recorded in Q2 2023. The increase in net income from continuing operations to \$1,184,000 for Q2 2023 from \$666,000 for Q1 2023 is mainly due to increased disposal revenues ND and due to a gain of \$566,000 on disposition of a subsidiary (please see **Canada** on Page 19). The decrease in net income from continuing operations to \$666,000 for Q1 2023 from \$821,000 for Q4 2022 is mainly due to higher depreciation expense and finance costs.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

LIQUIDITY AND CAPITAL RESOURCES

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

Investing Activities

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Additions to property, plant and equipment	1,005	656	1,968	1,012
Proceeds from sale of property, plant and equipment	(20)	-	(20)	(7)
Total capital expenditures	985	656	1,948	1,005

Capital Expenditures:

Capital expenditures for the three months ended September 30, 2024, totaled \$1,005,000 compared to \$656,000 for Q3 2023 and include injection pump upgrade costs for each of the Ross SWD (\$725,000) and New Town SWD (\$85,000) facilities and expenditures for a field truck and bobcats (\$150,000). Capital expenditures for the nine months ended September 30, 2024, totaled \$1,968,000, including \$738,000 and \$727,000 for the Ross SWD and New Town SWD injection system upgrades, respectively, \$170,000 for additions to spare parts inventory, \$150,000 for additions to field track and bobcat equipment and \$59,000 for installation of sump pumps at the Epping SWD facility. The injection systems at the Ross SWD and New Town SWD facilities were upgraded with the purchase and installation of a permanent 800-hp horizontal pump to replace the temporary 600-hp rental pumps. Please see "Capital Projects" for the Ross SWD and New Town SWD facilities on Pages 9 and 12, respectively.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

Financing Activities

Share Capital:

Shares issued and outstanding (000's)	Common shares	Amount (\$000)	Preferred shares	Amount (\$000)	Total	Amount (\$000)
Balance December 31, 2023	65,633	\$21,118	26,469	\$12,353	92,102	\$33,471
Exercise of share options	1,000	\$85	-	-	1,000	\$85
Balance June 30, 2024	66,633	\$21,203	26,469	\$12,353	93,102	\$33,556

As at September 30, 2024, there were 4,000,000 (December 31, 2023 – 4,000,000) common shares held in escrow.

Share Options

There were 5,633,000 share options outstanding as of September 30, 2024 (December 31, 2023 – 6,633,000), with a weighted average exercise price of \$0.05 (December 31, 2023 - \$0.05) per share. During the three and nine months ended September 30, 2024, nil share options were granted to employees, management and directors of the Company, nil share options were forfeited, and nil share options expired.

On April 12, 2024, 1,000,000 share options were exercised by an executive and director of the Corporation at an exercise price of \$0.05 per share, for total proceeds of \$50,000.

Long-Term Debt and Operating Loan

Long-Term Debt:

On October 14, 2021, the Company entered into an agreement with a new senior lender (“loan agreement”) for a US\$7,700,000 loan to facilitate the repayment of the term loan due on or before December 31, 2021, to its previous lender and for working capital growth. In December 2021, the Company received the full amount of \$9,868,320 (US\$7,700,000) to repay the term loan. The new long-term debt matures September 1, 2028, and bears interest on the outstanding principal balance, payable monthly, at the US dollar floating base rate plus 1.50%. Effective March 7, 2022, the interest on the outstanding principal balance was adjusted by the Company for one year to the US dollar fixed interest rate plus 1.50%. A one-time principal payment of US\$107,260 was due October 1, 2022, with subsequent monthly principal payments of US\$106,940 due until maturity. Commencing April 2023, additional annual principal payments will be required for 50% of excess cash flow (“ECF”) realized by White Owl to a maximum of US\$500,000. The annual ECF limit is calculated as EBITDA less US\$350,000 of maintenance capital expenditures and principal and interest payments on long-term debt and operating loan. The annual ECF principal payment is only due up to the amount that would not cause the Company to be in default with the debt covenants and financial requirements of the Company’s lenders. Based on the financial results for the year ended December 31, 2023, no additional annual principal

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

payment was paid by the Company on April 1, 2024. An additional annual principal payment equal to the maximum of US\$500,000 was paid by the Company on April 1, 2023. Commencing December 31, 2022, the Company is required to maintain at all times a fixed charge coverage ratio equal to or greater than 1.25:1.00. The Company incurred \$550,916 in transaction costs related to the issuance which will be amortized over the term of the loan using the effective interest method.

During the year ended December 31, 2023, the Company used its excess cash and cash equivalents to make additional principal prepayments on long-term debt as part of a de-leveraging strategy. As a result, the Company made total principal payments of \$5,596,344 (US\$4,165,322) for the year ended December 31, 2023, comprising \$2,407,775 (US\$1,783,280) of scheduled principal payments and \$3,188,569 (US\$2,382,042) of principal prepayments in accordance with the loan agreement. The additional principal payments resulted in the Company's operating loan Current Ratio financial covenant being less than the minimum requirement as at December 31, 2023, which allows the senior lender to demand full repayment of the outstanding principal. However, as at December 31, 2023 and September 30, 2024, the senior lender has agreed to waive the full repayment of the outstanding principal to just the monthly principal payments required under the loan agreement of US\$106,940 for a total of US\$1,283,280 for the twelve months ended December 31, 2024.

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

Covenant description	Position at September 30, 2024	Position at December 31, 2023
Fixed charge coverage ratio	1.60	1.56

As at September 30, 2024 and December 31, 2023, except as noted below, the Company was compliant with all covenants provided for in the loan agreement.

Operating Loan:

On October 18, 2021, the Company entered into a US\$1,000,000 demand operating loan ("operating loan") agreement with an additional lender which replaced the Company's previous operating facility. The operating loan is a revolving demand facility bearing interest, payable monthly, at the US prime rate plus 2.25%. The total outstanding on the operating loan will not at anytime exceed the lesser of the margin requirements as defined in the loan agreement and US\$1,000,000. As at September 30, 2024, the Company's borrowing limit under the operating loan was US\$1,000,000 (December 31, 2023 - US\$1,000,000). The Company had drawn \$nil on the operating loan at September 30, 2024 (December 31, 2023 – \$nil).

The following are the financial covenants governing the operating loan, all capitalized terms are defined in the operating loan agreement:

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

- Quarterly trailing Cash Flow Coverage Ratio of not less than 1.25:1.00;
- Annual Debt to Tangible Net Worth Ratio not greater than 3.00:1.00; and
- Annual Current Ratio not less than 1.25x.

Covenant description	Position at September 30, 2024	Position at December 31, 2023
Cash Flow Coverage Ratio	14.75	7.37
Debt to Tangible Net Worth Ratio	0.45	0.57
Current Ratio	1.20	1.00

As at December 31, 2023, the Company was compliant with the Cash Flow Coverage Ratio and the Debt to Tangible Net Worth Ratio financial covenants. During the twelve months ended December 31, 2023, the Company used its excess cash and cash equivalents to make additional principal prepayments on long-term debt as part of a de-leveraging strategy. As a result, the Current Ratio financial covenant is 1.00 as at December 31, 2023, which is below the lender's requirement of 1.25. As at December 31, 2023, the lender acknowledges early receipt of notice provided by the Company and requires the Company to return to compliance by April 5, 2024. The Company is compliant with all other covenants provided for in the operating loan agreement.

The lender acknowledges the improvement in the Current Ratio financial covenant to 1.20 as at September 30, 2024 from 1.00 as at December 31, 2023, and will continue to make the operating loan available to the Company. The Company had drawn \$nil on the operating loan at September 30, 2024 (December 31, 2023 - \$nil).

Net Debt To EBITDA:

The following table details the composition of the Corporation's net debt to EBITDA as at September 30, 2024 and December 31, 2023:

Net Debt (\$ thousands, except ratio amounts)	Position as at September 30, 2024	Position as at December 31, 2023
Non-current long-term debt	955	2,142
Non-current lease liabilities	127	45
Current liabilities	6,073	5,420
Current assets	(7,338)	(5,443)
Net debt (cash)	(183)	2,164
EBITDA from continuing operations (trailing twelve months)	7,018	6,490
Net debt to EBITDA (ratio)	0.00	0.33

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

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

Bakken production remains stable at 1.2 million barrels per day of oil and 3.4 BCF of liquids rich gas and is forecast to continue at this rate based on producers utilising 40 rigs for their drilling and development programs. It seems that 40 rigs allow producers to maintain production with new well production replacing the high decline rates experienced by shale wells in the first year of production.

The 3.4 BCF of gross associated gas production in the Bakken is richly saturated with increasing volumes of NGLs (some with more than 9 gallons-per-Mcf, or GPM). This increase is driven by a steadily increasing associated gas-to-oil ratio (GOR), currently close to 3.0, with recovered NGL production now over 450,000 barrels per day. The majority of the gas produced in the Bakken must first be processed to have most of the NGLs stripped out, causing the gas volume to shrink and the Btu content to decline. After processing, these residue gas volumes are 2.4 Bcf/d. Currently 95% of Bakken gas production is captured and sold with the remaining 5% being flared, simply due to challenges on existing infrastructure.

Most new wells in the Bakken are 3-mile laterals with some producers looking to move to 4-mile laterals in 2025. White Owl’s major customers continue to maintain that with 3-mile laterals and wider well spacing, they have 10 years of Tier 1 drilling inventory remaining.

Dakota Access Pipeline

No changes this quarter with the Dakota Access Pipeline remaining in limbo and as reported in Q2 2024, 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.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

Corporate Review

In our Q2 2024 Shareholder Letter we referenced the Capital Reorganisation Term Sheet (“Term Sheet”) which was developed with representatives of the Company’s preferred shareholders. The Term Sheet contemplated a plan to repurchase the issued and outstanding Series A preferred shares over time. The final details of the plan remain in development and the related shareholder meeting has been delayed until a review of the Company’s banking and financing options to fund the redemptions has been completed.

During the early months of 2024, the directors commenced the search for a President and CEO to replace Owen Pinnell who has advised that he will be retiring at the end of 2024. The board of directors wish to advise that effective January 1, 2025, Mr. Craig Heitrich will be assuming the role of President and Chief Executive Officer of the Corporation. Mr. Heitrich is an experienced oil and gas industry executive and will be looking to further the growth in shareholder value both inside and outside of North Dakota. Mr. Pinnell will remain a director of the Corporation.

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 60% of available capacity. Thank you for your commitment and loyalty and for your assistance in achieving strong operating and financial results for the nine months ended September 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.

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 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.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2024

FORWARD-LOOKING INFORMATION

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

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

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

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