

*Consolidated Financial Statements of*

**WHITE OWL ENERGY SERVICES INC.**

*December 31, 2024 and 2023*

*(Expressed in thousands of Canadian dollars)*

To the Shareholders of White Owl Energy Services Inc.:

## Opinion

We have audited the consolidated financial statements of White Owl Energy Services Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion of Financial Results.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion of Financial Results prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Alberta

March 25, 2025

*MNP LLP*  
Chartered Professional Accountants

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

	<b>December 31, 2024</b>	December 31, 2023
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	3,337	1,810
Trade and other receivables (Note 20)	3,992	3,365
Promissory note (Note 22)	23	23
Deposits and prepaid expenses	246	245
	<b>7,598</b>	<b>5,443</b>
Property, plant and equipment (Note 7)	25,095	22,070
Intangible assets (Note 8)	-	63
<b>Total assets</b>	<b>32,693</b>	<b>27,576</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Trade and other payables	3,625	3,646
Contingent liability (Note 5)	107	-
Current portion of long-term debt (Note 10)	1,770	1,533
Current portion of lease liabilities (Note 11)	122	119
Current portion of deferred consideration (Note 12)	122	112
Current portion of decommissioning liabilities (Note 14)	4	10
	<b>5,750</b>	<b>5,420</b>
Long-term debt (Note 10)	567	2,142
Lease liabilities (Note 11)	112	45
Deferred consideration (Note 12)	1,099	1,122
Decommissioning liabilities (Note 14)	1,537	1,309
<b>Total liabilities</b>	<b>9,065</b>	<b>10,038</b>
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>		
Share capital (Note 16)	33,719	33,471
Contributed surplus	1,557	1,645
Accumulated other comprehensive income	8,109	4,452
Deficit	(19,757)	(22,030)
<b>Total shareholders' equity</b>	<b>23,628</b>	<b>17,538</b>
<b>Total liabilities and shareholders' equity</b>	<b>32,693</b>	<b>27,576</b>

Commitments (Note 23)  
Subsequent event (Note 26)

Approved on behalf of the Board of Directors:

Signed "Craig Heitrich"  
Director

Signed: "Robb Thompson"  
Director

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

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

	Year ended December 31,	
	2024	2023
<b>CONTINUING OPERATIONS</b>		
<b>REVENUE (Note 18)</b>	<b>20,478</b>	20,262
<b>EXPENSES (INCOME)</b>		
Operating costs	<b>10,696</b>	11,401
General and administrative (Note 22)	<b>2,932</b>	2,371
Bad debt (Note 6)	<b>19</b>	-
Depreciation (Note 7)	<b>2,309</b>	1,979
Amortization (Note 8)	<b>65</b>	64
Impairment (Note 7)	<b>-</b>	470
Finance costs (Note 19)	<b>631</b>	1,050
Foreign exchange loss (gain)	<b>1,923</b>	(378)
Share-based payments (Note 17)	<b>15</b>	46
Gain on disposal of property, plant and equipment – net (Note 7)	<b>(20)</b>	(15)
Bargain purchase gain (Note 5)	<b>(750)</b>	-
Loss on disposition of joint operation interest (Note 5)	<b>375</b>	-
Gain on loan payable forgiveness (Note 13)	<b>-</b>	(20)
Gain on abandonment (Note 14)	<b>-</b>	(19)
	<b>18,195</b>	16,949
<b>NET INCOME BEFORE INCOME TAXES</b>	<b>2,283</b>	3,313
<b>INCOME TAXES (Note 15)</b>	<b>10</b>	8
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>2,273</b>	3,305
<b>NET INCOME FROM DISCONTINUED OPERATION (Note 6)</b>	<b>-</b>	502
<b>NET INCOME</b>	<b>2,273</b>	3,807
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Exchange gain (loss) on translating foreign operations	<b>3,916</b>	(966)
Change in fair value of net investment hedges (Note 20)	<b>(259)</b>	149
	<b>3,657</b>	(817)
<b>NET COMPREHENSIVE INCOME</b>	<b>5,930</b>	2,990

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

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

	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance at December 31, 2022	33,471	1,599	5,269	(25,837)	14,502
Net income	-	-	-	3,807	3,807
Other comprehensive loss	-	-	(817)	-	(817)
Share-based payments (Note 17)	-	46	-	-	46
Balance at December 31, 2023	33,471	1,645	4,452	(22,030)	17,538
Net income	-	-	-	2,273	2,273
Other comprehensive income	-	-	3,657	-	3,657
Exercise of stock options (Note 16&17)	248	(103)	-	-	145
Share-based payments (Note 17)	-	15	-	-	15
<b>Balance at December 31, 2024</b>	<b>33,719</b>	<b>1,557</b>	<b>8,109</b>	<b>(19,757)</b>	<b>23,628</b>

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

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

	Year ended December 31,	
	2024	2023
<b>CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Net income	2,273	3,807
Adjustments for non-cash items:		
Depreciation (Note 7)	2,309	2,010
Amortization (Note 8)	65	64
Impairment (Note 7)	-	470
Accretion of decommissioning obligations (Note 14)	60	98
Interest on lease liabilities (Note 11)	21	16
Accretion of transaction costs (Note 10)	164	167
Unrealized foreign exchange loss (gain)	1,925	(433)
Bargain purchase gain (Note 5)	(750)	-
Loss on disposition of joint operation interest (Note 5)	375	-
Gain on disposition of subsidiary (Note 6)	-	(566)
Gain on disposal of property, plant and equipment – net (Note 7)	(20)	(15)
Gain on loan payable forgiveness (Note 13)	-	(20)
Gain on abandonment (Note 14)	-	(19)
Share-based payments (Note 17)	15	46
Government abandonment grant in-kind (Note 14&24)	-	(10)
Abandonment expenditures (Note 14)	(6)	(252)
Change in non-cash working capital (Note 25)	(163)	(240)
Cash from operating activities	<b>6,268</b>	<b>5,123</b>
<b>INVESTING</b>		
Subsidiary cash disposed (Note 6)	-	(1,100)
Additions to property, plant and equipment (Note 7)	(2,325)	(1,916)
Acquisition of joint operation interest (Note 5)	(726)	-
Proceeds on disposition of joint operation interest (Note 5)	409	-
Proceeds from the sale of property, plant and equipment less costs to sell (Note 7)	20	13
Change in non-cash working capital (Note 25)	(505)	(1,321)
Cash used in investing activities	<b>(3,127)</b>	<b>(4,324)</b>
<b>FINANCING</b>		
Proceeds from operating loan (Note 9)	-	2,600
Repayment of operating loan (Note 9)	-	(2,600)
Repayment of long-term debt (Note 10)	(1,758)	(5,596)
Repayment of loan payable (Note 13)	-	(40)
Repayment of lease liabilities (Note 11)	(142)	(102)
Proceeds from the exercise of stock options (Note 17)	145	-
Change in non-cash working capital (Note 25)	(18)	(7)
Cash used in financing activities	<b>(1,773)</b>	<b>(5,745)</b>
Foreign exchange gain (loss) on cash held in foreign currency	159	(53)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,527</b>	<b>(4,999)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,810</b>	<b>6,809</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>3,337</b>	<b>1,810</b>

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



# WHITE OWL ENERGY SERVICES INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2024 and 2023

(All figures expressed in Canadian dollars unless otherwise noted)

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### 1. CORPORATE INFORMATION

White Owl Energy Services Inc. (“White Owl”) was incorporated under the Business Corporations Act of the province of Alberta on September 26, 2013 (together with its subsidiaries, the “Company”). White Owl Energy Services, Inc. (“White Owl (US)”) was incorporated under the laws of the state of North Dakota on September 24, 2013. On November 1, 2013, White Owl acquired all the issued and outstanding shares of White Owl (US) by a share purchase agreement. White Owl Energy Services Ltd. (“White Owl Ltd.”) was incorporated under the Business Corporations Act of the province of Alberta on February 3, 2015 and was a wholly owned subsidiary of White Owl until May 24, 2023 (see Note 6).

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

### 2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with IFRS<sup>®</sup> Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 25, 2025.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION

#### **Basis of measurement**

The consolidated financial statements have been prepared using historical costs and fair value of certain items, as detailed in the accounting policies set out in this note.

#### **Basis of consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries, which are the entities over which the Company has control. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intercompany transactions and balances are eliminated on consolidation.

#### **Functional and presentation currency**

Each of the Company’s subsidiaries is measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of the Company’s US subsidiaries is US dollars and former Canadian subsidiary is Canadian dollars (see Note 6). The consolidated financial statements are presented in Canadian dollars, which is the functional currency of White Owl.

For the US subsidiaries whose functional currency is not the Canadian dollar, the Company translates assets and liabilities at period-end exchange rates and income and expense accounts at average exchange rates. Adjustments resulting from these translations are reflected in the consolidated statement of comprehensive income as exchange gain (loss) on translating foreign operations.

Transactions in currencies other than the Company’s functional currency are translated at exchange rates in effect at the time of the transaction. Foreign currency monetary assets and liabilities are translated at period-end exchange rates. Gains or losses from the changes in exchange rates are recognized in the consolidated statement of comprehensive income in the period of occurrence as foreign exchange gains (losses).

**WHITE OWL ENERGY SERVICES INC.**  
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**Use of judgments and estimates**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Such estimates relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts as transactions are settled in the future. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are applied prospectively.

The following are the critical judgments that management made in applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- Determining whether operations meet the definition of a discontinued operation;
- Determining the aggregation of assets into cash generating units ("CGUs");
- Determining whether indicators of impairment exist for property, plant and equipment and intangible assets; and
- Determining the existence of contingent liabilities or whether an outflow of resources is probable and needs to be accounted for as a provision.

The following are the critical estimates and assumptions with the most significant effect on amounts recognized in the consolidated financial statements. They are discussed further in the accounting policies that follow.

- Recoverability of asset carrying values for impairment testing purposes;
- Determining key assumptions for impairment testing of property, plant and equipment and intangible assets;
- Determining the consideration given and allocation of the purchase price to the fair value of the assets acquired and liabilities assumed in business combinations;
- Fair value determination of share-based payments;
- Determining the useful lives of property, plant and equipment and intangible assets; and
- Determining the amount, timing and inflation of decommissioning liabilities.

**Discontinued operation**

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations;  
or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal, when the operation meets the criteria to be classified as held-for-sale or when the operation is abandoned.

When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

**Cash and cash equivalents**

Cash equivalents include guaranteed investments with a maturity of three months or less.

# WHITE OWL ENERGY SERVICES INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2024 and 2023  
(All figures expressed in Canadian dollars unless otherwise noted)

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### Revenue recognition

Revenues are recognized when the Company satisfies its performance obligations by transferring control of goods or services to its customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. As the Company performs direct services under the contract, it does not have any remaining performance obligations to its customers for those services. As a result, revenue contracts allow for revenue recognition at the time and amount to which it has a “right to invoice” the customer.

### Share-based payments

The Company has a share-based option incentive plan (the “Option Plan”). Under the Option Plan, the Company may grant to directors, officers and employees of the Company or any of its affiliates, rights to acquire up to 10% of the issued and outstanding cumulative total of the common and preferred shares of the Company. The Option Plan is equity settled. The fair value of options at the date of grant is calculated using the Black-Scholes option pricing model method with the share-based payment expense recognized over the vesting period of the option and a corresponding increase to contributed surplus. When options are exercised, the proceeds, together with the amount recorded in contributed surplus, are transferred to share capital. Forfeitures are estimated and accounted for at the grant date and adjusted, if necessary, in subsequent periods.

### Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the consolidated statement of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Subsequent measurement is dependent on the financial instrument’s classification which in the case of financial assets, is determined by the context of the Company’s business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost; and, (2) fair value through profit and loss (“FVTPL”). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity’s own credit risk is recorded as other comprehensive income (“OCI”).

The Company has made the following classifications:

- FVTPL: Financial instruments under this classification include cash and cash equivalents; and
- Amortized cost: Financial instruments under this classification included trade and other receivables, promissory note, deposits, operating loan, trade and other payables, contingent liability, long-term debt, lease liabilities and deferred consideration.

Transaction costs related to financial instruments classified as FVTPL are expensed as incurred. All other transaction costs related to financial instruments are recorded as part of the instrument and are amortized using the effective interest method.

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

**Level 1:** Values based on quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

**Level 2:** Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

**Level 3:** Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

**WHITE OWL ENERGY SERVICES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measure in its entirety.

**Impairment of financial assets**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve months of expected credit losses.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. The asset, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

**Derivative instruments and hedging activities**

All derivative instruments are recorded on the consolidated statement of financial position at fair value unless they qualify for and are designated under a normal purchase and normal sales exemption or are considered to meet other permitted exemptions.

The Company applies hedge accounting to arrangements that qualify and are designated for hedge accounting treatment, which includes hedges of foreign currency exposures of net investments in foreign operations. Hedge accounting is discontinued prospectively if the hedging relationship ceases to be effective or the hedging or hedged items cease to exist as a result of maturity, expiry, sale, termination, cancellation or exercise.

In hedging, the foreign currency exposure of a net investment in a foreign operation, the effective portion of foreign exchange gains and losses on the hedging instruments is recognized in OCI and the ineffective portion is recognized in net income (loss). The amounts recognized previously in accumulated other comprehensive income (loss) are reclassified to net income (loss) in the event the Company reduces its net investment in a foreign operation.

In some cases, derivatives do not meet the specific criteria for hedge accounting treatment. In these instances, the changes in fair value are recorded in the consolidated statement of comprehensive income in the period of change.

Derivatives embedded in other financial instruments or contracts (host instrument) are recorded as separate derivatives. Embedded derivatives are measured at fair value if their economic characteristics are not clearly and closely related to those of the host instrument, their terms are the same as those of a stand-alone derivative and the total contract is not held for trading or accounted for at fair value. When changes in the fair value of embedded derivatives are measured separately, they are included in the consolidated statement of comprehensive income.

**Joint operations**

A portion of the Company's petroleum and natural gas exploration and production activities are conducted jointly with others, and, accordingly, these consolidated financial statements reflect only the Company's proportionate interest in such activities.

**WHITE OWL ENERGY SERVICES INC.**  
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**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation, depletion and any recognized impairment losses.

Depreciation is based on a straight-line basis and is calculated over the estimated useful life of the assets, which has been estimated at 3-20 years for disposal wells, plant infrastructure and equipment. The expected useful lives of property, plant and equipment are reviewed annually to ensure that they remain appropriate. Changes in useful lives are accounted for prospectively as a change in estimate.

The net carrying value of oil and gas properties plus future development costs are depleted using the unit of production method based on proved and probable reserves, as determined by independent reserve evaluators.

**Intangibles**

Intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis.

**Impairment of non-financial assets**

The carrying values of the Company's assets or CGUs are reviewed at each reporting date to determine whether there is an indication of impairment loss. If any such indication exists, the Company will prepare an impairment test. For the purpose of impairment testing, goodwill is allocated to CGUs expected to benefit from the business combination in which the goodwill arose. To the extent that the carrying amount of a CGU exceeds its recoverable amount, the excess would first reduce the carrying value of goodwill and any remainder would reduce the carrying values of the long-term assets of the CGUs on a pro-rated basis.

Impairment testing compares the carrying values of the assets or CGUs being tested with their recoverable amounts (recoverable amounts being the greater of the assets' or CGUs' value-in-use or their fair values less costs of disposal). Value-in-use is assessed using the present value of the expected future cash flows of the relevant asset. When it is not possible to estimate the recoverable amount of an individual asset, the asset is tested as part of a CGU, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The key assumptions for the value-in-use calculation include discount and growth rate estimates of the risks associated with the projected cash flows, based on the best information available as of the date of the impairment test. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs.

Impairment losses are immediately recognized to the extent that the asset or CGU carrying values exceed their recoverable amounts. Should the recoverable amounts for previously impaired assets or CGUs subsequently increase, the impairment losses previously recognized (other than in respect of goodwill) may be reversed to the extent that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment losses had been previously recognized.

At December 31, 2024, the Company has seven salt water disposal facility CGUs in North Dakota (December 31, 2023 – six salt water disposal facility CGUs).

**Deferred consideration**

Deferred consideration is generated when a sale of a royalty interest linked to revenue at a specific facility occurs. Proceeds for sale of a royalty interest are an upfront payment received for future salt water disposal services that will generate future royalties. The estimated future salt water disposal revenues from the facility are multiplied by the royalty rate to derive the upfront payment received, which is accounted for as deferred consideration and recognized as an offset to royalty expense over the life of the facility.

**WHITE OWL ENERGY SERVICES INC.**  
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**Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of that obligation.

*Decommissioning liabilities*

The Company provides for estimated future decommissioning costs for all of its facilities and oil and gas properties based on the useful lives of the assets and the long-term commitments of certain sites. Over this period, the Company recognizes the liability for the future decommissioning liabilities associated with property, plant and equipment. These obligations are initially measured at the discounted future value of the liability. This value is capitalized as part of the cost of the related asset and amortized over the asset's useful life. The balance of the liability is adjusted each period for the unwinding of the discount, with the associated expense included within finance costs as accretion expense. Decommissioning costs and timing are estimated by management, in consultation with the Company's engineers and environmental, health and safety staff, on the basis of current regulations, costs, technology and industry standards. Other key estimates include discount and inflation rates. Actual decommissioning costs are charged against the provision as incurred.

**Taxes**

Tax expense is comprised of current and deferred tax. Tax expense is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized in OCI or directly in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded, using the asset and liability method, on temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred tax is not recorded on taxable temporary differences arising on the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**Government grants**

Government grants are assistance by the government in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operations of the Company. Grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants are received. If a grant is received before it is certain whether compliance with all conditions will be achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the conditions of a grant related to income or expense, the grant is recognized in consolidated statement of comprehensive income on a systematic basis in the periods the Company recognizes the expenses which the grant is intended to compensate. Where government grants are provided in the form of a forgivable loan, proceeds are recorded as a financial liability and not recognized as a reduction of the cost of the related expenditures incurred. Upon reasonable assurance that forgiveness has been obtained, the Company will derecognize the portion of the loan forgiven and record a gain on loan payable forgiveness in the consolidated statement of comprehensive income.

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**Share capital**

Common shares and preferred shares are classified as equity. Incremental costs directly attributable to the issue of common and preferred shares are recognized as a deduction from equity.

**4. CHANGES IN ACCOUNTING POLICIES**

*New Accounting Policies*

On January 1, 2024, the Company adopted the amendments to IAS 1 Presentation of Financial Statements (“IAS 1”) as issued by the International Accounting Standards Board (“IASB”) that clarify its requirements for the presentation of liabilities as current or non-current in the statement of financial position and specify the classification and disclosure of a liability with covenants. There was not a material impact to the Company’s consolidated financial statements.

*Future Accounting Pronouncements*

On April 9, 2024, the IASB issued a new IFRS Accounting Standard IFRS 18 Presentation and Disclosure in Financial Statements (“IFRS 18”) which will replace IAS 1. While many of the existing principles of IAS 1 are retained with limited changes, IFRS 18 introduces changes to the presentation of, and disclosure requirements related to, the statement of comprehensive income (loss). IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. The Company is currently evaluating the impact on its consolidated financial statements.

**5. JOINT OPERATION**

*Acquisition*

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 \$272,700 (US\$200,000) to ND SWD Well#1 and committed to spending an additional US\$800,000 (US\$400,000 net to White Owl) (the “initial expenditure”) to the joint venture to complete plant turnaround activities and maintenance work. 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 (see *Amendment to Killdeer Joint Venture Agreement* below). 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.

The acquisition is considered a business combination under IFRS as the assets meet the definition of a business. The acquisition has been accounted for using the acquisition method of accounting, whereby the assets acquired, and the liabilities assumed were recorded at their estimated fair values. White Owl determined the following estimated fair values of the net assets acquired and liabilities assumed based on management’s best estimate of fair value and available external documentation, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received for the assets and expended to settle the outstanding liabilities.

The following table sets out the details of the above acquisition including the consideration given and allocation of the purchase price to the fair value of the assets acquired and liabilities assumed:

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(\$000's)

**Consideration:**

Cash	273
Contingent liability	545
<b>Total consideration</b>	<b>818</b>

**Allocated to:**

Property, plant and equipment (Note 7)	1,702
Decommissioning liability (Note 14)	(134)
<b>Net assets and liabilities</b>	<b>1,568</b>

**Bargain purchase gain** (750)

The following table summarizes the contingent liability activity recorded for the twelve months ended December 31, 2024:

(\$000's)

Balance at December 31, 2023	-
Acquisition consideration	545
Payments	(453)
Foreign exchange effect	15
<b>Balance at December 31, 2024</b>	<b>107</b>

The Company accounts for this joint arrangement as a joint operation and accounts for its interest in the Killdeer joint venture by recognizing its share of assets, liabilities, revenues and expenses of the joint operation.

At December 31, 2024, the Company has recorded \$266,145 in amounts owing from the Killdeer joint venture. These amounts have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and is equal to fair value.

***Disposition***

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 \$272,700 (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 and will be decreased as White Owl incurs the initial expenditure 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).



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The following table summarizes the effect of the disposition of the joint operation interest on the financial position of the Company:

(\$000's)

<b><u>Consideration:</u></b>	
Cash	<b>409</b>
<b><u>Net assets and liabilities disposed:</u></b>	
Property, plant and equipment (Note 7)	<b>851</b>
Decommissioning liabilities (Note 14)	<b>(67)</b>
Net assets and liabilities	<b>784</b>
<b><u>Loss on disposition of joint operation interest</u></b>	<b><u>(375)</u></b>

***Amendment to Killdeer Joint Venture Agreement***

Effective September 1, 2024, due to the Killdeer disposal well requiring remedial work which is estimated at a gross cost of US\$1,000,000, the following amendments were made to the Killdeer joint venture agreement:

- The remedial work of US\$1,000,000 will be paid 75% (US\$750,000) by ND SWD Well #1 and 25% (US\$250,000) by White Owl;
- White Owl shall be entitled to distributions from net cash flow of 50% until the date that ND SWD Well #1 has recouped its net share of the remedial costs paid of US\$750,000; and
- Once ND SWD Well #1 has recouped its net share of the remedial costs paid of US\$750,000, 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.

White Owl's 50% partner in the Killdeer joint venture is obligated to pay 50% (US\$125,000) of White Owl's US\$250,000 payment for the disposal well remedial work and will be entitled to a 25% share of distributions from net cash flow of the Killdeer joint venture until ND SWD Well #1 has recouped its net share of the remedial costs paid of US\$750,000.

**6. DISCONTINUED OPERATION**

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

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

*Net income from discontinued operation*

(\$000's)	<b>December 31, 2024</b>	December 31, 2023
<b>Revenue (Note 18)</b>	-	-
<b>Expenses</b>		
Operating costs	-	30
General and administrative	-	3
Depreciation (Note 7)	-	31
Finance costs (Note 19)	-	10
Government abandonment grant in-kind (Note 14&24)	-	(10)
	-	64
<b>Gain on disposition of subsidiary</b>	-	566
<b>Net income from discontinued operation</b>	-	502

*Change in cash and cash equivalents from discontinued operation*

(\$000's)	<b>December 31, 2024</b>	December 31, 2023
Cash flow used in operating activities	-	(529)
Cash flow from investing activities	-	-
Cash flow from financing activities	-	9
<b>Net decrease in cash and cash equivalents from discontinued operation</b>	-	(520)

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

Effective May 24, 2023, the Company disposed of its wholly owned subsidiary White Owl Energy Services Ltd. for nominal cash consideration of \$10. In addition to the cash consideration, in the event the buyer completes a liquidity event on or before November 24, 2024, the buyer will cause the resulting issuer to issue 1,000,000 resulting issuer shares from treasury to White Owl. On November 23, 2024, the buyer extended the timing of the liquidity event to on or before November 23, 2026. In return, the Company forgave \$19,367 in trade and other receivables due from the buyer which are recognized as bad debt expense in comprehensive income. As of May 24, 2023, December 31, 2023 and December 31, 2024, the Company has not recorded a contingent asset with regard to the 1,000,000 resulting issuer shares as the outcome is uncertain. This subsidiary held the remaining oil and gas properties at Clairmont. The disposition included cash and cash equivalents, deposits, trade and other receivables, oil and gas property, plant and equipment and the assumption of trade and other payables, promissory note, surface lease liabilities and all decommissioning liabilities associated with the Clairmont oil and gas assets.

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*Effect of the disposition of subsidiary on the 2023 financial position of the Company*

(\$000's)

**Consideration:**

Cash -

**Net assets and liabilities disposed:**

Cash	1,100
Trade and other receivables	123
Deposits and prepaid expenses	1,296
Trade and other payables	(70)
Promissory note	(362)
Lease liabilities	(56)
Decommissioning liabilities	(2,597)
<b>Net assets and liabilities</b>	<b>(566)</b>

**Gain on disposition of subsidiary** (566)

**7. PROPERTY, PLANT AND EQUIPMENT**

**COST**

(\$000's)	Land	Right-of- use assets	Plant & equipment	Disposal wells	Oil and gas properties	Total
Balance at December 31, 2022	764	690	27,021	9,829	1,850	40,154
Additions	-	49	1,877	39	-	1,965
Dispositions	-	(88)	(283)	-	(1,859)	(2,230)
Change in decommissioning costs (Note 14)	-	-	36	(18)	9	27
Foreign exchange effect	(18)	(9)	(668)	(225)	-	(920)
Balance at December 31, 2023	746	642	27,983	9,625	-	38,996
Additions	-	185	2,325	-	-	2,510
Acquisition (Note 5)	-	-	971	731	-	1,702
Dispositions (Note 5)	-	-	(540)	(365)	-	(905)
Change in decommissioning costs (Note 14)	-	-	30	(49)	-	(19)
Foreign exchange effect	66	30	2,593	847	-	3,536
<b>Balance at December 31, 2024</b>	<b>812</b>	<b>857</b>	<b>33,362</b>	<b>10,789</b>	<b>-</b>	<b>45,820</b>

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**ACCUMULATED DEPRECIATION AND IMPAIRMENT**

(\$000's)	Land	Right-of- use assets	Plant & equipment	Disposal wells	Oil and gas properties	Total
Balance at December 31, 2022	(156)	(490)	(9,519)	(5,047)	(1,850)	(17,062)
Depreciation	-	(94)	(1,428)	(479)	(9)	(2,010)
Dispositions	-	88	286	-	1,859	2,233
Impairment – US assets	(1)	-	(469)	-	-	(470)
Foreign exchange effect	2	7	249	125	-	383
Balance at December 31, 2023	(155)	(489)	(10,881)	(5,401)	-	(16,926)
Depreciation	-	(130)	(1,671)	(508)	-	(2,309)
Dispositions	-	-	54	-	-	54
Foreign exchange effect	(14)	(24)	(1,024)	(482)	-	(1,544)
<b>Balance at December 31, 2024</b>	<b>(169)</b>	<b>(643)</b>	<b>(13,522)</b>	<b>(6,391)</b>	<b>-</b>	<b>(20,725)</b>

**CARRYING AMOUNTS**

(\$000's)	Land	Right-of- use asset	Plant & equipment	Disposal wells	Oil and gas properties	Total
Balance at December 31, 2023	591	153	17,102	4,224	-	22,070
<b>Balance at December 31, 2024</b>	<b>643</b>	<b>214</b>	<b>19,840</b>	<b>4,398</b>	<b>-</b>	<b>25,095</b>

**Dispositions**

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). The disposition resulted in a loss on disposition of joint operation interest of \$375,225 recognized in comprehensive income (see note 5).

During the year ended December 31, 2024, the Company disposed of property, plant and equipment for cash consideration of \$19,795 (2023 - \$13,251). The dispositions resulted in a gain of \$19,795 (2023 - \$15,493) recognized in comprehensive income.

**Impairment**

*December 31, 2024*

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

*December 31, 2023*

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

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

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**8. INTANGIBLE ASSETS**

(\$000's)

Balance at December 31, 2022	129
Amortization	(64)
Foreign exchange effect	(2)
Balance at December 31, 2023	63
Amortization	(65)
Foreign exchange effect	2
<b>Balance at December 31, 2024</b>	<b>-</b>

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

**9. OPERATING LOAN**

The Company has a US\$1,000,000 revolving demand facility bearing interest, payable monthly, at the US prime rate plus 2.25% ("operating loan"). 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 December 31, 2024, the Company's borrowing limit under the operating loan was US\$1,000,000 (December 31, 2023 - US\$1,000,000). The Company had drawn \$nil on the operating loan at December 31, 2024 (December 31, 2023 – \$nil).

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

- Quarterly trailing Cash Flow Coverage Ratio of not less than 1.25:1:00;
- Annual Debt to Tangible Net Worth Ratio not greater than 3.00:1.00; and
- Annual Current Ratio not less than 1.25x.

<b>Covenant description</b>	<b>Position at December 31, 2024</b>	Position at December 31, 2023
Cash Flow Coverage Ratio	<b>15.98</b>	7.37
Debt to Tangible Net Worth Ratio	<b>0.38</b>	0.57
Current Ratio	<b>1.32</b>	1.00

As at December 31, 2024, the Company was compliant with all covenants provided for in the operating loan agreement.

As at December 31, 2023, the Company was compliant with the Cash Flow Coverage Ratio and the Debt to Tangible Net Worth Ratio financial covenants. During the twelve months ended December 31, 2023, the Company used its excess cash and cash equivalents to make additional principal prepayments on long-term debt as part of a de-leveraging strategy (see Note 10). As a result, the Current Ratio financial covenant was 1.00 as at December 31, 2023, which was below the lender's requirement of 1.25. As at December 31, 2023, the lender acknowledged the early receipt of notice provided by the Company and required the Company to return to compliance by April 5, 2024. The Company was compliant with all other covenants provided for in the operating loan agreement.

# WHITE OWL ENERGY SERVICES INC.

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### 10. LONG-TERM DEBT

The Company has a term loan that bears interest on the outstanding principal balance, payable monthly, at the US dollar floating base rate plus 1.50%. Monthly principal payments of US\$106,940 are due until maturity. Additional annual principal payments are 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, 2024, an additional annual principal payment is payable by the Company in 2025, however the lender has waived the requirement for this payment. An additional annual principal payment equal to the maximum of US\$500,000 was paid by the Company on April 1, 2023. The Company is required to maintain at all times a fixed charge coverage ratio equal to or greater than 1.25:1.00. The Company incurred \$550,916 in transaction costs related to the issuance which will be amortized over the term of the loan using the effective interest method.

During the year ended December 31, 2023, the Company used its excess cash and cash equivalents to make additional principal prepayments on long-term debt as part of a de-leveraging strategy. As a result, the Company made total principal payments of \$5,596,344 (US\$4,165,322) for the year ended December 31, 2023, comprising \$2,407,775 (US\$1,783,280) of scheduled principal payments and \$3,188,569 (US\$2,382,042) of principal prepayments in accordance with the loan agreement. The additional principal payments resulted in the Company’s operating loan Current Ratio financial covenant being less than the minimum requirement as at December 31, 2023, which allows the senior lender to demand full repayment of the outstanding principal (See Note 9). However, as at December 31, 2023, the senior lender agreed to waive the full repayment of the outstanding principal to just the monthly principal payments required under the loan agreement of US\$106,940 for a total of US\$1,283,280 for the twelve months ended December 31, 2024.

(\$000’s)

Balance at December 31, 2022	9,244
Principal payments	(5,596)
Accretion of transaction costs	167
Foreign exchange effect	(140)
Balance at December 31, 2023	3,675
Principal payments	(1,758)
Accretion of transaction costs	164
Foreign exchange effect	256
<b>Balance at December 31, 2024</b>	<b>2,337</b>
Less current portion	(1,770)
<b>Total non-current portion</b>	<b>567</b>

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

<b>Covenant description</b>	<b>Position at December 31, 2024</b>	Position at December 31, 2023
Fixed charge coverage ratio	<b>1.68</b>	1.56

As at December 31, 2024, the Company was compliant with all covenants provided for in the loan agreement.

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

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**11. LEASE LIABILITIES**

(\$000's)

Balance at December 31, 2022	259
Recognized	49
Principal payments	(102)
Disposed (Note 6)	(56)
Interest expense	16
Foreign exchange effect	(2)
Balance at December 31, 2023	164
Recognized	25
Modification	160
Principal payments	(142)
Interest expense	21
Foreign exchange effect	6
<b>Balance at December 31, 2024</b>	<b>234</b>
Less current portion	(122)
<b>Total non-current portion</b>	<b>112</b>

The lease liabilities are payable as follows:

(\$000's)	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	139	17	122
Between one and five years	118	6	112
Five years and greater	-	-	-
<b>Balance at December 31, 2024</b>	<b>257</b>	<b>23</b>	<b>234</b>

During the year ended December 31, 2024, the Company recognized \$20,956 (2023 - \$16,115) of interest expense from lease liabilities.

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

(\$000's)	December 31, 2024	December 31, 2023
Equipment	21	21
Office leases	109	73
<b>Total depreciation expense – right-of-use assets</b>	<b>130</b>	<b>94</b>

**12. DEFERRED CONSIDERATION**

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

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(\$000's)	
Balance at December 31, 2022	1,379
Recognized	(114)
Foreign exchange effect	(31)
Balance at December 31, 2023	1,234
Recognized	(116)
Foreign exchange effect	103
<b>Balance at December 31, 2024</b>	<b>1,221</b>
Less current portion	(122)
<b>Total non-current portion</b>	<b>1,099</b>

**13. LOAN PAYABLE**

The Company had a non-interest-bearing Canadian Emergency Business Loan (“CEBA loan”) of \$60,000 that matured December 31, 2023, repaying the balance of the loan on or before December 31, 2023, would result in loan forgiveness of 33.3% (up to \$20,000). On September 12, 2023, the Company repaid \$40,000 of the CEBA loan and received loan forgiveness of \$20,000. Upon forgiveness on September 12, 2023, the Company derecognized the carrying value of the CEBA loan with an offset to gain on loan payable forgiveness in comprehensive income.

**14. DECOMMISSIONING LIABILITIES**

(\$000's)	
Balance at December 31, 2022	4,106
Accretion	98
Change in estimate	17
Disposed (Note 6)	(2,597)
Abandonment	(271)
Foreign exchange effect	(34)
Balance at December 31, 2023	1,319
Accretion	60
Change in estimate	(19)
Acquisition (Note 5)	134
Disposed (Note 5)	(67)
Abandonment	(6)
Foreign exchange effect	120
<b>Balance at December 31, 2024</b>	<b>1,541</b>
Less current portion	(4)
<b>Total non-current portion</b>	<b>1,537</b>

The Company’s decommissioning liabilities were estimated by management based on the Company’s estimated costs to remediate, reclaim and abandon the Company’s facilities and estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of its decommissioning obligations at December 31, 2024 based on a total undiscounted future liability of \$3,075,672 (December 31, 2023 – \$2,538,727). These costs are expected to be incurred in approximately one to 15 years (December 31, 2023 – one to 16 years). The Company used a risk-free interest rate at December 31, 2024 of 4.72% (December 31, 2023 – 4.20%) and an inflation rate of 2.00% (December 31, 2023 – 2.00%) to calculate the net present value of its decommissioning liabilities.

During the year ended December 31, 2024, the Company incurred \$6,112 (2023 - \$252,292) of abandonment costs to derecognize \$6,112 (2023 - \$271,178) of decommissioning liabilities. The Company recorded a gain on abandonment of \$nil (2023 – \$18,887 gain) in comprehensive income for the year ended December 31, 2024.



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

### 15. TAXES

The components of the Company's net tax expense which has been recorded in these consolidated financial statements are as follows:

(\$000's)	December 31, 2024	December 31, 2023
Net income before income taxes	2,283	3,313
Net income from discontinued operation	-	502
	<b>2,283</b>	<b>3,815</b>
Statutory income tax rate	23%	23%
Recovery at statutory rate	525	877
Tax rate differential between Canada and United States	68	57
Non-deductible share-based payments	3	11
Other	109	256
Change in deferred tax asset not recognized	(705)	(1,201)
Current income tax expense – state taxes	10	8
<b>Total</b>	<b>10</b>	<b>8</b>

Details of deferred tax assets (liabilities) are as follows:

(\$000's)	December 31, 2024	December 31, 2023
Property, plant and equipment	(4,599)	(4,596)
Investment in joint ventures	(316)	(196)
Non-capital loss carry forwards	4,915	4,792
	-	-

Details of the unrecognized deductible temporary differences are as follows:

(\$000's)	December 31, 2024	December 31, 2023
Other	135	101
Capital loss carry forwards	9,585	9,585
Non-capital loss carry forwards	16,590	18,744
<b>Unrecognized deductible temporary differences</b>	<b>26,310</b>	<b>28,430</b>

At December 31, 2024, the Company has estimated non-capital losses carry forwards in the United States of \$11,601,084 (December 31, 2023 - \$15,337,437) and in Canada of \$16,172,549 (December 31, 2023 - \$13,684,748) which, if not utilized, will expire between 2033 and 2044, respectively. In addition, the Company has non-expiring capital losses in Canada of \$9,584,866 (December 31, 2023 - \$9,584,866) that may be used against capital gains realized in the future.

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**16. SHARE CAPITAL**

**Authorized**

An unlimited number of common and preferred shares without nominal or par value.

**Issued**

(\$000's)	December 31, 2024	December 31, 2023
Common shares	21,366	21,118
Preferred shares	12,353	12,353
	<b>33,719</b>	<b>33,471</b>

**COMMON SHARES**

	Number (000's)	Amount (\$000's)
Balance at December 31, 2022 and December 31, 2023	65,633	21,118
Issuance of common shares upon exercise of stock options	2,902	248
<b>Balance at December 31, 2024</b>	<b>68,535</b>	<b>21,366</b>

At December 31, 2024, there were 4,000,000 (December 31, 2023 – 4,000,000) common shares held in escrow.

**PREFERRED SHARES**

	Number (000's)	Amount (\$000's)
<b>Balance at December 31, 2022, December 31, 2023 and December 31, 2024</b>	<b>26,469</b>	<b>12,353</b>

The Senior Preferred Class A Voting Shares are convertible into common shares of the Company, at the option of the holder, on a one to one basis, and rank ahead of common shares on liquidation, dissolution or winding up of the Company at par value.

**17. SHARE-BASED PAYMENTS**

The Company has established an Option Plan pursuant to which shares are available for the granting of incentive stock options. Pursuant to the Option Plan, the exercise price of an option cannot be less than the current market price of shares at the date of issuing the option. Options generally vest over a three-year period and are generally issued for a maximum term of five years from date of grant.

	Number of options (000's)	Weighted average exercise price (\$)
Balance at December 31, 2022	6,849	0.05
Forfeited	(216)	0.05
Balance at December 31, 2023	6,633	0.05
Exercised	(2,902)	0.05
Forfeited	(300)	0.05
<b>Balance at December 31, 2024</b>	<b>3,431</b>	<b>0.05</b>

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

In December 2024, employees, executives and directors of the Company exercised 1,901,666 options at an exercise price of \$0.05 for total proceeds to the Company of \$95,083.

On January 1, 2025, the Company granted 3,000,000 options at an exercise price of \$0.15 to an executive and director.

The following table summarizes information about options outstanding at December 31, 2024:

Options outstanding			Options exercisable		
Weighted average exercise price (\$)	Number of options (000's)	Weighted average contractual life remaining (years)	Number of options (000's)	Weighted average exercise price (\$)	
0.05	3,431	1.28	2,725	0.05	

The Company records share-based payments over the vesting period based on the fair value of options granted to employees and directors. The value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model.

During the year ended December 31, 2024, \$14,996 (2023 - \$46,024) in share-based payment expense related to equity-settled stock options has been recognized in comprehensive income.

**18. REVENUE**

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

(\$000's)	Continuing operations		Discontinued operation (Note 6)		Total	
	December 31, 2024	2023	December 31, 2024	2023	December 31, 2024	2023
Recovered oil sales	7,692	7,510	-	-	7,692	7,510
Water disposal and processing services	12,169	12,314	-	-	12,169	12,314
Other revenue	617	438	-	-	617	438
<b>Total revenue</b>	<b>20,478</b>	<b>20,262</b>	<b>-</b>	<b>-</b>	<b>20,478</b>	<b>20,262</b>

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**19. FINANCE COSTS**

(\$000's)	Continuing operations		Discontinued operation (Note 6)		Total	
	December 31,		December 31,		December 31,	
	2024	2023	2024	2023	2024	2023
Interest on long-term debt	350	725	-	-	350	725
Interest on promissory note	-	-	-	9	-	9
Interest on lease liabilities (Note 11)	21	14	-	2	21	16
Accretion of decommissioning liabilities (Note 14)	60	54	-	44	60	98
Accretion of transaction costs (Note 10)	164	167	-	-	164	167
Interest (income) expense, bank charges and other	36	90	-	(45)	36	45
<b>Total finance costs</b>	<b>631</b>	<b>1,050</b>	<b>-</b>	<b>10</b>	<b>631</b>	<b>1,060</b>

**20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Net investment in foreign operations**

The Company hedges its net investment in foreign operations with US dollar denominated debt that has a carrying value excluding unamortized transaction costs of \$2,417,723 (US\$1,680,258) at December 31, 2024 (December 31, 2023 - \$3,919,575 (US\$2,963,538)). No hedge ineffectiveness was recognized during the year ended December 31, 2024 and 2023.

**Financial instruments and risk management**

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

Risk management is carried out by senior management.

**Fair values**

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

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

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

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

***Credit risk***

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

The Company manages its exposure to credit risk through standard credit granting procedures and short payment terms. The Company attempts to monitor financial conditions of its customers and the industries in which they operate. The Company derived significant revenue from two major customers, which exceeded 10% of revenue for the year ended December 31, 2024 (2023 – two customers). The customers accounted for 37% and 16% of revenue for the year ended December 31, 2024 respectively (2023 – 37% and 12%). At December 31, 2024, 18% and 22% of trade and other receivables were receivable from these customers respectively (December 31, 2023 – 17% and 18%). The Company's maximum exposure to credit risk at December 31, 2024 was the total of cash and cash equivalents, trade and other receivables and promissory note of \$7,351,713 (December 31, 2023 - \$5,197,591). The Company believes that there is no unusual exposure associated with the collection of these trade and other receivables and promissory note. As at December 31, 2024, the Company has an allowance for doubtful accounts of \$nil (December 31, 2023 - \$nil).

Pursuant to the White Owl Epping Joint Venture Agreement (“Epping Agreement”) dated July 18, 2018, the Company as operator is responsible for the payment and discharge of all expenses of the joint venture and is entitled to be reimbursed for these expenses. Under the Epping Agreement, the Company will be reimbursed for all direct operating costs and will be paid an operating fee of 8% of the cost of operations and a fee of 3% of capital expenditures. As at December 31, 2024, trade and other receivables includes \$nil (December 31, 2023 - \$51,122) in amounts invoiced to the joint venture owners for their proportionate share of operating losses and capital expenditures of the facility, while trade and other payables includes \$319,340 (December 31, 2023 - \$nil) in amounts payable for operating income and capital expenditures of the facility.

The aging of trade and other receivables is as follows:

(\$000's)	Current	30-60 days	60-90 days	90+days	Total
	2,653	1,081	224	34	3,992

***Foreign currency risk***

The Company generates revenue and expenses in US dollars and, therefore, fluctuations in the value of the Canadian dollar relative to the US dollar can affect the Company's comprehensive income (loss). Some of this foreign exchange impact is partially offset by interest expense on US dollar-denominated debt. The Company does not hedge its exposure to currency fluctuations other than the use of US dollar-denominated debt. As the Company's US dollar-denominated operations continue to grow, exposure to changes in currency rates will increase.

***Interest rate risk***

The Company has floating interest rate debt which subjects it to interest rate cash flow risk. The Company does not maintain an active hedge program to mitigate the Company's exposure to interest rate fluctuations. If interest rates had been 1% higher during the year, and all other variables were held constant, the Company's comprehensive income would be approximately \$32,815 lower for the year ended December 31, 2024 (December 31, 2023 – comprehensive income \$58,640 lower).

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*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet financial obligations at the point at which they are due. The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

The following are the contractual maturities of financial liabilities at December 31, 2024:

(\$000's)	2025	2026	2027	2028	2029+	Total
Trade and other payables	3,625	-	-	-	-	3,625
Contingent liability	107	-	-	-	-	107
Long-term debt <sup>(1)</sup>	1,847	571	-	-	-	2,418
Lease liabilities	122	102	6	2	2	234
	5,701	673	6	2	2	6,384

(1) Reflects principal payments of US\$1,680,258 converted to Canadian dollars at the December 31, 2024 year-end rate.

*Commodity risk*

The Company recovers and sells crude oil which subjects it to the commodity price of crude oil. The Company does not maintain an active hedge program to mitigate the Company's exposure to commodity price fluctuations.

**21. CAPITAL MANAGEMENT**

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

The Company strives to manage its capital to meet the Company's objective and maintain compliance with the financial covenants contained within its debt facilities (see Note 9&10).

The Company's capital structure is as follows:

(\$000's)	December 31, 2024	December 31, 2023
Lease liabilities	234	164
Long-term debt	2,337	3,675
Total shareholders' equity	23,628	17,538
	26,199	21,377

**22. RELATED PARTY TRANSACTIONS**

At December 31, 2024, the Company has a \$22,500 (December 31, 2023 - \$22,500) promissory note from an officer of the Company. The unsecured promissory note is due on demand and bears interest at 3% per annum. In January 2025, the promissory note and accrued interest was repaid by the officer.

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At December 31, 2024, the Company has recorded \$90,435 (December 31, 2023 - \$47,736 amounts owing from) in amounts owing to the Tioga joint venture. These amounts have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties and is equal to fair value.

At December 31, 2024, the Company has recorded \$266,145 in amounts owing from the Killdeer joint venture. These amounts have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and is equal to fair value.

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

The Company considers its directors and executives to be key management personnel. In addition to their salaries and director fees, the Company also provides non-cash benefits to key management personnel through participation in the Company's option program. The remuneration of key management personnel was as follows:

(\$000's)	<b>December 31, 2024</b>	December 31, 2023
Compensation and short-term benefits	<b>1,864</b>	1,430
Share-based payments	<b>10</b>	35
	<b>1,874</b>	1,465

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

In December 2024, employees, executives and directors of the Company exercised 1,901,666 options at an exercise price of \$0.05 for total proceeds to the Company of \$95,083.

Key management personnel of the Company controlled 11.5% of the outstanding voting shares of the Company at December 31, 2024 (December 31, 2023 – 11%).

## **23. COMMITMENTS**

### *Operating leases*

The Company has entered into operating land lease agreements at the Company's facilities and operating leases for office space. The agreements require future minimum payments as follows:

(\$000's)	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>Total</b>
Office lease	29	1	-	-	-	30
Land lease agreements <sup>(1)</sup>	246	247	247	247	248	1,235
	275	248	247	247	248	1,265

(1) Perpetual leases

### *Letters of Credit*

At December 31, 2024, the Company had issued \$34,000 (December 31, 2023 - \$34,000) in letters of credit. The letters of credit relate to security for the Company's decommissioning liabilities and are held with regulatory bodies.

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**24. GOVERNMENT ASSISTANCE**

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

**25. CHANGES IN NON-CASH WORKING CAPITAL**

(\$000's)	<b>December 31, 2024</b>	December 31, 2023
Trade and other receivables	<b>(327)</b>	(596)
Deposits and prepaid expenses	<b>29</b>	(54)
Trade and other payables	<b>(272)</b>	(804)
Deferred consideration	<b>(116)</b>	(114)
	<b>(686)</b>	(1,568)
Allocated to:		
Operating	<b>(163)</b>	(240)
Investing	<b>(505)</b>	(1,321)
Financing	<b>(18)</b>	(7)
	<b>(686)</b>	(1,568)

**26. SUBSEQUENT EVENT**

On January 1, 2025, the Company granted 3,000,000 options at an exercise price of \$0.15 to an executive and director.