

Condensed Consolidated Interim Financial Statements of

WHITE OWL ENERGY SERVICES INC.

For the three and six months ended June 30, 2025 and 2024

(Unaudited) (Expressed in thousands of Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying condensed consolidated interim financial statements of White Owl Energy Services Inc. as at and for the three and six months ended June 30, 2025 have been internally prepared by, and are the responsibility of the Company’s management. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

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

	June 30, 2025	December 31, 2024
ASSETS		
CURRENT		
Cash and cash equivalents	3,907	3,337
Trade and other receivables (Note 13)	4,113	3,992
Promissory note (Note 15)	-	23
Deposits and prepaid expenses	1,076	246
	9,096	7,598
Property, plant and equipment (Note 4)	22,897	25,095
Total assets	31,993	32,693
LIABILITIES		
CURRENT		
Trade and other payables	3,547	3,625
Contingent liability (Note 3)	-	107
Current portion of long-term debt (Note 7)	1,386	1,770
Current portion of lease liabilities (Note 8)	158	122
Current portion of deferred consideration (Note 9)	116	122
Current portion of decommissioning liabilities (Note 10)	4	4
	5,211	5,750
Long-term debt (Note 7)	-	567
Lease liabilities (Note 8)	64	112
Deferred consideration (Note 9)	983	1,099
Decommissioning liabilities (Note 10)	1,518	1,537
Total liabilities	7,776	9,065
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital	33,863	33,719
Contributed surplus	1,641	1,557
Accumulated other comprehensive income	5,550	8,109
Deficit	(16,837)	(19,757)
Total shareholders' equity	24,217	23,628
Total liabilities and shareholders' equity	31,993	32,693

Subsequent events (Note 18)

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

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

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
REVENUE (Note 11)	5,308	5,094	10,762	10,373
EXPENSES				
Operating costs	3,392	2,777	6,157	5,445
General and administrative	614	593	1,212	1,110
Bad debt	-	19	-	19
Depreciation (Note 4)	632	543	1,274	1,069
Amortization (Note 5)	-	16	-	32
Finance costs (Note 12)	101	179	207	358
Foreign exchange (gain) loss	(1,256)	217	(1,267)	700
Share-based payments (Note 16)	53	5	142	10
Bargain purchase gain (Note 3)	-	(750)	-	(750)
Loss on disposition of joint operation interest (Note 3)	-	375	-	375
Loss on disposal of property, plant and equipment (Note 4)	113	-	113	-
	3,649	3,974	7,838	8,368
NET INCOME BEFORE INCOME TAXES	1,659	1,120	2,924	2,005
INCOME TAXES	2	2	4	6
NET INCOME	1,657	1,118	2,920	1,999
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange (loss) gain on translating foreign operations	(2,618)	441	(2,656)	1,441
Change in fair value of net investment hedges (Note 13)	97	(36)	97	(131)
	(2,521)	405	(2,559)	1,310
NET COMPREHENSIVE INCOME (LOSS)	(864)	1,523	361	3,309

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

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

	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance at December 31, 2023	33,471	1,645	4,452	(22,030)	17,538
Net income	-	-	-	1,999	1,999
Other comprehensive income	-	-	1,310	-	1,310
Exercise of stock options (Note 16)	85	(35)	-	-	50
Share-based payments (Note 16)	-	10	-	-	10
Balance at June 30, 2024	33,556	1,620	5,762	(20,031)	20,907
Balance at December 31, 2024	33,719	1,557	8,109	(19,757)	23,628
Net income	-	-	-	2,920	2,920
Other comprehensive loss	-	-	(2,559)	-	(2,559)
Issuance of common shares (Note 15)	3	-	-	-	3
Exercise of stock options (Note 16)	141	(58)	-	-	83
Share-based payments (Note 16)	-	142	-	-	142
Balance at June 30, 2025	33,863	1,641	5,550	(16,837)	24,217

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

WHITE OWL ENERGY SERVICES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH
FLows

(Unaudited) (Expressed in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net income	1,657	1,118	2,920	1,999
Adjustments for non-cash items:				
Depreciation (Note 4)	632	543	1,274	1,069
Amortization (Note 5)	-	16	-	32
Accretion of decommissioning obligations (Note 10)	17	15	35	29
Interest on lease liabilities (Note 8)	6	3	10	5
Accretion of transaction costs (Note 7)	22	43	50	91
Unrealized foreign exchange (gain) loss	(1,267)	214	(1,287)	695
Share-based payments (Note 16)	53	5	142	10
Bargain purchase gain (Note 3)	-	(750)	-	(750)
Loss on disposition of joint operation interest (Note 3)	-	375	-	375
Loss on disposal of property, plant and equipment (Note 4)	113	-	113	-
Change in non-cash working capital (Note 17)	641	148	(769)	(848)
Cash from operating activities	1,874	1,730	2,488	2,707
INVESTING				
Additions to property, plant and equipment (Note 4)	(99)	(286)	(423)	(963)
Acquisition of joint operation interest (Note 3)	(102)	(273)	(102)	(273)
Proceeds on disposition of joint operation interest (Note 3)	-	409	-	409
Proceeds from the sale of property, plant and equipment less costs to sell (Note 4)	65	-	65	-
Change in non-cash working capital (Note 17)	(162)	69	(421)	(481)
Cash used in investing activities	(298)	(81)	(881)	(1,308)
FINANCING				
Proceeds from operating loan (Note 6)	-	-	-	-
Repayment of operating loan (Note 6)	-	-	-	-
Repayment of long-term debt (Note 7)	(444)	(439)	(904)	(872)
Repayment of lease liabilities (Note 8)	(46)	(33)	(92)	(62)
Proceeds from repayment of promissory note (Note 15)	-	-	23	-
Proceeds from exercise of stock options (Note 16)	-	50	83	50
Proceeds from issuance of common shares (Note 15)	-	-	3	-
Change in non-cash working capital (Note 17)	(5)	(2)	(11)	(8)
Cash used in financing activities	(495)	(424)	(898)	(892)
Foreign exchange (loss) gain on cash held in foreign currency	(137)	8	(139)	37
NET INCREASE IN CASH AND CASH EQUIVALENTS	944	1,233	570	544
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,963	1,121	3,337	1,810
CASH AND CASH EQUIVALENTS, END OF PERIOD	3,907	2,354	3,907	2,354

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

WHITE OWL ENERGY SERVICES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and six months ended June 30, 2025 and 2024

(Unaudited) (All figures expressed in Canadian dollars unless otherwise noted)

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.

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

2. BASIS OF PRESENTATION

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

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

These consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2024.

The consolidated financial statements have been prepared using the same accounting policies and methods as those used in the audited consolidated financial statements for the year ended December 31, 2024. The consolidated financial statements have been presented in Canadian dollars, which is also the Company’s functional currency, unless otherwise indicated.

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 14, 2025.

3. 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.

WHITE OWL ENERGY SERVICES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Unaudited) (All figures expressed in Canadian dollars unless otherwise noted)

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:

(\$000's)

Consideration:

Cash	273
Contingent liability	545
Total consideration	818

Allocated to:

Property, plant and equipment (Note 4)	1,702
Decommissioning liability (Note 10)	(134)
Net assets and liabilities	1,568

Bargain purchase gain (750)

The following table summarizes the contingent liability activity recorded for six months ended June 30, 2025 and twelve months ended December 31, 2024:

(\$000's)

Balance at December 31, 2023	-
Acquisition consideration	545
Payments	(453)
Foreign exchange effect	15
Balance at December 31, 2024	107
Payments	(102)
Foreign exchange effect	(5)
Balance at June 30, 2025	-

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 June 30, 2025, the Company has recorded \$399,430 (December 31, 2024 - \$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.

WHITE OWL ENERGY SERVICES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and six months ended June 30, 2025 and 2024

(Unaudited) (All figures expressed in Canadian dollars unless otherwise noted)

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).

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

(\$000's)

Consideration:

Cash	409
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Net assets and liabilities disposed:

Property, plant and equipment (Note 4)	851
Decommissioning liabilities (Note 10)	(67)
Net assets and liabilities	784

<u>Loss on disposition of joint operation interest</u>	(375)
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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.

WHITE OWL ENERGY SERVICES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and six months ended June 30, 2025 and 2024

(Unaudited) (All figures expressed in Canadian dollars unless otherwise noted)

4. PROPERTY, PLANT AND EQUIPMENT

COST

(\$000's)	Land	Right-of-use assets	Plant & equipment	Disposal wells	Total
Balance at December 31, 2023	746	642	27,983	9,625	38,996
Additions	-	185	2,325	-	2,510
Acquisitions (Note 3)	-	-	971	731	1,702
Dispositions (Note 3)	-	-	(540)	(365)	(905)
Change in decommissioning costs (Note 10)	-	-	30	(49)	(19)
Foreign exchange effect	66	30	2,593	847	3,536
Balance at December 31, 2024	812	857	33,362	10,789	45,820
Additions	1	74	409	13	497
Dispositions	-	-	(364)	-	(364)
Change in decommissioning costs (Note 10)	-	-	19	10	29
Foreign exchange effect	(42)	(21)	(1,738)	(550)	(2,351)
Balance at June 30, 2025	771	910	31,688	10,262	43,631

ACCUMULATED DEPRECIATION AND IMPAIRMENT

(\$000's)	Land	Right-of-use assets	Plant & equipment	Disposal wells	Total
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)
Balance at December 31, 2024	(169)	(643)	(13,522)	(6,391)	(20,725)
Depreciation	-	(65)	(939)	(270)	(1,274)
Dispositions	-	-	187	-	187
Foreign exchange effect	9	17	723	329	1,078
Balance at June 30, 2025	(160)	(691)	(13,551)	(6,332)	(20,734)

CARRYING AMOUNTS

(\$000's)	Land	Right-of-use asset	Plant & equipment	Disposal wells	Total
Balance at December 31, 2024	643	214	19,840	4,398	25,095
Balance at June 30, 2025	611	219	18,137	3,930	22,897

Impairment

June 30, 2025

At June 30, 2025, White Owl evaluated its property, plant and equipment for indicators of any potential impairment or related reversal. As a result of this assessment, no indicators were identified and no impairment or related reversal was recorded on White Owl's property, plant and equipment assets.

WHITE OWL ENERGY SERVICES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and six months ended June 30, 2025 and 2024

(Unaudited) (All figures expressed in Canadian dollars unless otherwise noted)

December 31, 2024

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

Dispositions

During the three and six months ended June 30, 2025, the Company disposed of property, plant and equipment for cash consideration of \$64,651 (2024 - \$nil). The dispositions resulted in a loss of \$113,016 (2024 - \$nil) recognized in comprehensive income (loss).

5. INTANGIBLE ASSETS

(\$000's)

Balance at December 31, 2023	63
Amortization	(65)
Foreign exchange effect	2
Balance at December 31, 2024 and June 30, 2025	-

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.

6. 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 June 30, 2025, the Company's borrowing limit under the operating loan was US\$1,000,000 (December 31, 2024 - US\$1,000,000). The Company had drawn \$nil on the operating loan at June 30, 2025 (December 31, 2024 - \$nil).

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

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

Covenant description	Position at June 30, 2025	Position at December 31, 2024
Cash Flow Coverage Ratio	20.68	15.98
Debt to Tangible Net Worth Ratio	0.32	0.38
Current Ratio	1.75	1.32

As at June 30, 2025 and December 31, 2024, the Company was compliant with all covenants provided for in the operating loan agreement.

WHITE OWL ENERGY SERVICES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and six months ended June 30, 2025 and 2024

(Unaudited) (All figures expressed in Canadian dollars unless otherwise noted)

On July 2, 2025, the Company entered into an agreement with a new financial institution for a US\$1,000,000 non-revolving operating loan facility and the operating loan was cancelled. Please see Note 18.

7. 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 was payable by the Company in 2025, however the lender has waived the requirement for this payment. 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.

(\$000's)

Balance at December 31, 2023	3,675
Principal payments	(1,758)
Accretion of transaction costs	164
Foreign exchange effect	256
Balance at December 31, 2024	2,337
Principal payments	(904)
Accretion of transaction costs	50
Foreign exchange effect	(97)
Balance at June 30, 2025	1,386
Less current portion	(1,386)
Total non-current portion	-

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

Covenant description	Position at June 30, 2025	Position at December 31, 2024
Fixed charge coverage ratio	1.88	1.68

As at June 30, 2025 and December 31, 2024, the Company was compliant with all covenants provided for in the loan agreement.

On July 2, 2025, the Company entered into an agreement with a new financial institution for a US\$6,000,000 non-revolving reducing term loan facility. On July 2, 2025, the Company repaid the term loan balance outstanding of US\$931,678. Please see note 18.

WHITE OWL ENERGY SERVICES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and six months ended June 30, 2025 and 2024

(Unaudited) (All figures expressed in Canadian dollars unless otherwise noted)

8. LEASE LIABILITIES

(\$000's)

Balance at December 31, 2023	164
Recognized	25
Modification	160
Principal payments	(142)
Interest expense	21
Foreign exchange effect	6
Balance at December 31, 2024	234
Recognized	74
Principal payments	(92)
Interest expense	10
Foreign exchange effect	(4)
Balance at June 30, 2025	222
Less current portion	(158)
Total non-current portion	64

The lease liabilities are payable as follows:

(\$000's)	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	173	15	158
Between one and five years	69	5	64
Five years and greater	-	-	-
Balance at June 30, 2025	242	20	222

During the three and six months ended June 30, 2025, the Company recognized \$5,629 and \$9,830 (2024 - \$2,749 and \$5,369) of interest expense from lease liabilities.

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

(\$000's)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Equipment	8	5	15	9
Office leases	28	22	50	41
Total depreciation expense – right-of-use assets	36	27	65	50

WHITE OWL ENERGY SERVICES INC.

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(Unaudited) (All figures expressed in Canadian dollars unless otherwise noted)

9. DEFERRED CONSIDERATION

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

(\$000's)

Balance at December 31, 2023	1,234
Recognized	(116)
Foreign exchange effect	103
Balance at December 31, 2024	1,221
Recognized	(60)
Foreign exchange effect	(62)
Balance at June 30, 2025	1,099
Less current portion	(116)
Total non-current portion	983

10. DECOMMISSIONING LIABILITIES

(\$000's)

Balance at December 31, 2023	1,319
Accretion	60
Change in estimate	(19)
Acquisition (Note 3)	134
Disposed (Note 3)	(67)
Abandonment	(6)
Foreign exchange effect	120
Balance at December 31, 2024	1,541
Accretion	35
Change in estimate	29
Foreign exchange effect	(83)
Balance at June 30, 2025	1,522
Less current portion	(4)
Total non-current portion	1,518

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 June 30, 2025 based on a total undiscounted future liability of \$2,887,954 (December 31, 2024 – \$3,075,672). These costs are expected to be incurred in approximately one to 15 years (December 31, 2024 – one to 15 years). The Company used a risk-free interest rate at June 30, 2025 of 4.52% (December 31, 2024 – 4.72%) and an inflation rate of 2.00% (December 31, 2024 – 2.00%) to calculate the net present value of its decommissioning liabilities.

WHITE OWL ENERGY SERVICES INC.

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(Unaudited) (All figures expressed in Canadian dollars unless otherwise noted)

11. REVENUE

Revenue associated with services provided such as disposal and oil treating 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.

	Three months ended June 30,		Six months ended June 30,	
(\$000's)	2025	2024	2025	2024
Recovered oil sales	1,779	1,885	3,729	4,195
Water disposal and processing services	3,368	3,095	6,702	5,952
Other revenue	161	114	331	226
Total revenue	5,308	5,094	10,762	10,373

12. FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
(\$000's)	2025	2024	2025	2024
Interest on long-term debt	40	97	92	202
Interest on lease liabilities (Note 8)	6	3	10	5
Accretion of decommissioning obligations (Note 10)	17	15	35	29
Accretion of transaction costs (Note 7)	22	43	50	91
Interest (income) expense, bank charges and other	16	21	20	31
Total finance costs	101	179	207	358

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Net investment in foreign operations

The Company hedges its net investment in foreign operations with US dollar denominated debt that has a carrying value excluding unamortized transaction costs of \$1,416,987 (US\$1,038,618) at June 30, 2025 (December 31, 2024 - \$2,417,723 (US\$1,680,258)). No hedge ineffectiveness was recognized during the three and six months ended June 30, 2025 and 2024.

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.

WHITE OWL ENERGY SERVICES INC.

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Fair values

The Company's financial instruments recognized on the condensed consolidated interim statement of financial position consist of cash and cash equivalents, trade and other receivables, promissory note, 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.

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

Credit risk

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

The Company manages its exposure to credit risk through standard credit granting procedures and short payment terms. The Company attempts to monitor the financial conditions of its customers and the industries in which they operate. The Company's maximum exposure to credit risk at June 30, 2025 was the total of cash and cash equivalents and trade and other receivables of \$8,019,735 (December 31, 2024 - \$7,351,713). The Company believes that there is no unusual exposure associated with the collection of the trade and other receivables. As at June 30, 2025, the Company has an allowance for doubtful accounts of \$nil (December 31, 2024 - \$nil).

Pursuant to the White Owl Epping Joint Venture Agreement ("Epping Agreement") dated July 18, 2018, White Owl as operator is responsible for the payment and discharge of all expenses of the joint venture and is entitled to be reimbursed for these expenses. Under the Epping Agreement, the Company will be reimbursed for all direct operating costs and will be paid an operating fee of 8% of the cost of operations and a fee of 3% of capital expenditures. As at June 30, 2025, trade and other receivables includes \$nil (December 31, 2024 - \$nil) 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 \$283,500 (December 31, 2024 - \$319,340) 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
	3,600	263	219	31	4,113

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14. CAPITAL MANAGEMENT

The Company's objective is to ensure adequate sources of capital are available to carry out its planned capital program, to achieve operational growth and increased cash flow so as to sustain future development of the business and to maintain shareholder confidence. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets. Management considers capital to be the Company's operating loan, lease liabilities, long-term debt and shareholders' equity as the components of capital to be managed. In order to maintain or adjust the capital structure, the Company may issue shares, raise debt and/or adjust its capital spending to manage its projected debt levels. There has been no change in how the Company manages its capital during the six months ended June 30, 2025.

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

The Company's capital structure is as follows:

(\$000's)	June 30, 2025	December 31, 2024
Lease liabilities	222	234
Long-term debt	1,386	2,337
Total shareholders' equity	24,217	23,628
	25,825	26,199

15. RELATED PARTY TRANSACTIONS

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

At June 30, 2025, the Company has recorded \$35,012 (December 31, 2024 - \$90,435 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 June 30, 2025 the Company has recorded \$399,431 (December 31, 2024 - \$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 June 30, 2025, certain management and directors own 1.04% (December 31, 2024 - 1.04%) of the Tioga SWD Facility and 5.54% (December 31, 2024 - 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. Certain management and directors purchased these ownership interests at fair value.

In January 2025, a director of the Company paid \$2,675 to settle an outstanding receivable for 2,675,000 common shares held in escrow.

WHITE OWL ENERGY SERVICES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and six months ended June 30, 2025 and 2024

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16. SHARE-BASED PAYMENTS

In January 2025, employees and directors of the Company exercised 1,658,000 options at an exercise price of \$0.05 for total proceeds to the Company of \$82,900.

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

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.

17. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended June 30,		Six months ended June 30,	
(\$000's)	2025	2024	2025	2024
Trade and other receivables	432	(41)	(359)	49
Deposits and prepaid expenses	(818)	(992)	(853)	(999)
Trade and other payables	889	1,277	71	(330)
Deferred consideration	(29)	(29)	(60)	(57)
	474	215	(1,201)	(1,337)
Allocated to:				
Operating	641	148	(769)	(848)
Investing	(162)	69	(421)	(481)
Financing	(5)	(2)	(11)	(8)
	474	215	(1,201)	(1,337)

18. SUBSEQUENT EVENTS

On July 2, 2025, the Company entered into an agreement with a new financial institution for a US\$6,000,000 non-revolving reducing term loan facility and a US\$1,000,000 operating facility. At closing of this bank financing, US\$3,000,000 was initially drawn on the non-revolving reducing term loan facility to fund the purchase of the 28% interest in the Tioga joint venture, the full repayment of the existing term loan, and to fund upgrade capital expenditures. The remaining US\$3,000,000 is available under the non-revolving reducing term loan facility to October 31, 2025, and is scheduled to fund capital expansion projects and a repurchase of preferred shares in the second half of 2025.

On July 2, 2025, the Company acquired an additional 28% interest in the Tioga joint venture for US\$1,500,000. As a result, the Company's interest in Tioga joint venture has increased to 75% after completion of the acquisition.