



**AUDITED FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS
FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2024**

- AND -

**UNAUDITED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED
JUNE 30, 2025**

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)

	December 31, 2024	December 31, 2023
ASSETS		
CURRENT		
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
	7,598	5,443
Property, plant and equipment (Note 7)	25,095	22,070
Intangible assets (Note 8)	-	63
Total assets	32,693	27,576
LIABILITIES		
CURRENT		
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
	5,750	5,420
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
Total liabilities	9,065	10,038
SHAREHOLDERS' EQUITY (DEFICIT)		
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)
Total shareholders' equity	23,628	17,538
Total liabilities and shareholders' equity	32,693	27,576

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
CONTINUING OPERATIONS		
REVENUE (Note 18)	20,478	20,262
EXPENSES (INCOME)		
Operating costs	10,696	11,401
General and administrative (Note 22)	2,932	2,371
Bad debt (Note 6)	19	-
Depreciation (Note 7)	2,309	1,979
Amortization (Note 8)	65	64
Impairment (Note 7)	-	470
Finance costs (Note 19)	631	1,050
Foreign exchange loss (gain)	1,923	(378)
Share-based payments (Note 17)	15	46
Gain on disposal of property, plant and equipment – net (Note 7)	(20)	(15)
Bargain purchase gain (Note 5)	(750)	-
Loss on disposition of joint operation interest (Note 5)	375	-
Gain on loan payable forgiveness (Note 13)	-	(20)
Gain on abandonment (Note 14)	-	(19)
	18,195	16,949
NET INCOME BEFORE INCOME TAXES	2,283	3,313
INCOME TAXES (Note 15)	10	8
NET INCOME FROM CONTINUING OPERATIONS	2,273	3,305
NET INCOME FROM DISCONTINUED OPERATION (Note 6)	-	502
NET INCOME	2,273	3,807
OTHER COMPREHENSIVE INCOME (LOSS)		
Exchange gain (loss) on translating foreign operations	3,916	(966)
Change in fair value of net investment hedges (Note 20)	(259)	149
	3,657	(817)
NET COMPREHENSIVE INCOME	5,930	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
Balance at December 31, 2024	33,719	1,557	8,109	(19,757)	23,628

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
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
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	<u>6,268</u>	<u>5,123</u>
INVESTING		
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	<u>(3,127)</u>	<u>(4,324)</u>
FINANCING		
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	<u>(1,773)</u>	<u>(5,745)</u>
Foreign exchange gain (loss) on cash held in foreign currency	159	(53)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,527	(4,999)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,810	6,809
CASH AND CASH EQUIVALENTS, END OF YEAR	3,337	1,810

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)

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

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

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

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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(All figures expressed in Canadian dollars unless otherwise noted)

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.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(All figures expressed in Canadian dollars unless otherwise noted)

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
Total consideration	818

Allocated to:

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

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
Balance at December 31, 2024	107

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)

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

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)	December 31, 2024	December 31, 2023
Revenue (Note 18)	-	-
Expenses		
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
Gain on disposition of subsidiary	-	566
Net income from discontinued operation	-	502

Change in cash and cash equivalents from discontinued operation

(\$000's)	December 31, 2024	December 31, 2023
Cash flow used in operating activities	-	(529)
Cash flow from investing activities	-	-
Cash flow from financing activities	-	9
Net decrease in cash and cash equivalents from discontinued operation	-	(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)
Net assets and liabilities	(566)

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
Balance at December 31, 2024	812	857	33,362	10,789	-	45,820

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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)
Balance at December 31, 2024	(169)	(643)	(13,522)	(6,391)	-	(20,725)

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
Balance at December 31, 2024	643	214	19,840	4,398	-	25,095

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
Balance at December 31, 2024	-

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.

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

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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
Balance at December 31, 2024	2,337
Less current portion	(1,770)
Total non-current portion	567

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

Covenant description	Position at December 31, 2024	Position at December 31, 2023
Fixed charge coverage ratio	1.68	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
Balance at December 31, 2024	234
Less current portion	(122)
Total non-current portion	112

The lease liabilities are payable as follows:

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

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:

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

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
Balance at December 31, 2024	1,221
Less current portion	(122)
Total non-current portion	1,099

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
Balance at December 31, 2024	1,541
Less current portion	(4)
Total non-current portion	1,537

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
	2,283	3,815
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
Total	10	8

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
Unrecognized deductible temporary differences	26,310	28,430

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
	33,719	33,471

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
Balance at December 31, 2024	68,535	21,366

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)
Balance at December 31, 2022, December 31, 2023 and December 31, 2024	26,469	12,353

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
Balance at December 31, 2024	3,431	0.05

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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
Total revenue	20,478	20,262	-	-	20,478	20,262

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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
Total finance costs	631	1,050	-	10	631	1,060

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 ⁽¹⁾	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)	December 31, 2024	December 31, 2023
Compensation and short-term benefits	1,864	1,430
Share-based payments	10	35
	1,874	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)	2025	2026	2027	2028	2029	Total
Office lease	29	1	-	-	-	30
Land lease agreements ⁽¹⁾	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)	December 31, 2024	December 31, 2023
Trade and other receivables	(327)	(596)
Deposits and prepaid expenses	29	(54)
Trade and other payables	(272)	(804)
Deferred consideration	(116)	(114)
	(686)	(1,568)
Allocated to:		
Operating	(163)	(240)
Investing	(505)	(1,321)
Financing	(18)	(7)
	(686)	(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.

MANAGEMENT’S DISCUSSION OF FINANCIAL RESULTS

For the three and twelve months ended December 31, 2024

Management’s Discussion of Financial Results (“MDFR”) is provided to assist readers in the assessment of the results of operations, liquidity and capital resources of White Owl Energy Services Inc. (“White Owl” or the “Company” or the “Corporation”) as at and for the three and twelve months ended December 31, 2024. White Owl is a private company and is not required to prepare and file Management’s Discussion and Analysis (“MD&A”) in accordance with regulatory requirements in Canada or the United States (“US”). **This MDFR does not constitute an MD&A for the purposes of Canadian or US securities laws and may not include all the information that might otherwise be required or expected thereunder.**

This MDFR is based on information available to March 25, 2025, and should be read in conjunction with White Owl’s audited consolidated financial statements for the years ended December 31, 2024, and 2023. The financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards.

All amounts are stated in Canadian dollars unless otherwise noted.

FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2024, HIGHLIGHTS

Highlights for the three and twelve months ended December 31, 2024, are summarized as follows:

- EBITDA from continuing operations for the twelve months ended December 31, 2024, increased 5% to \$6,831,000 from \$6,490,000 for 2023, mainly due to lower operating costs and royalties and stronger oil sales revenue, partially offset by higher general and administrative expenses.
- Q4 2024 EBITDA from continuing operations is \$1,356,000 compared to \$1,541,000 for Q4 2023. The decrease is mainly due to lower oil sales revenue and higher general and administrative expenses, partially offset by lower operating expenses and royalties.
- The Corporation’s outstanding bank loan balance is \$2,417,723 (US\$1,680,258) as at December 31, 2024 (before transaction costs), down 38% from \$3,919,575 (US\$2,963,538) as at December 31, 2023.
- The Corporation’s cash and cash equivalents is \$3,337,262 (US\$2,319,315) as at December 31, 2024.
- The Corporation’s trailing twelve-month net debt to EBITDA ratio is a conservative 0.00:1.00 as of December 31, 2024, compared to 0.33:1.00 as of December 31, 2023. *Please see “Net Debt to EBITDA” on Page 27 for calculation of this ratio.*

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

- The net operating income margin from continuing operations improved to 48% for the twelve months ended December 31, 2024, from 44% for 2023.
- As of January 1, 2025, a price increase of 10% was implemented for production water after several years of flat pricing. In addition, pricing for flowback water increased by 8%.
- Total revenue for the twelve months ending December 31, 2024, was \$20,478,000, a slight increase from \$20,262,000 recorded in 2023. Oil sales revenue increased 2% to \$7,692,000 for 2024 from \$7,510,000 for 2023, as an 8% increase in volumes was partially offset by a 5% decrease in the net realized oil price. Disposal revenue remained relatively flat at \$12,169,000 for 2024 compared to \$12,314,000 for 2023, matching the year-over-year change in disposal volumes.
- Total revenue for Q4 2024 decreased 2% to \$5,143,000 from \$5,273,000 for Q4 2023, mainly due to oil sales revenue decreasing 9% to \$1,757,000 from \$1,923,000 due to lower oil pricing. Also impacting total revenue for Q4 2024 was a decrease of \$199,000 in the Alexander facility's revenue due to a two-month shut-down for well repairs.
- For the twelve months ending December 31, 2024, operating costs and royalties decreased 6% to \$0.72 per barrel from \$0.76 per barrel for 2023, mainly due to lower repairs and maintenance costs. For Q4 2024, operating costs and royalties per barrel decreased 16% to \$0.68 from \$0.80 for Q4 2023, mainly because of lower solids disposal costs (down by \$0.05 per barrel) and lower repairs and maintenance (down by \$0.04 per barrel). In addition, the fourth quarter of 2023 included well workover costs of \$0.04 per barrel for the New Town Saltwater Disposal ("SWD") facility.
- Effective, June 1, 2024, White Owl acquired a 25% working interest in the Killdeer SWD facility. Killdeer is an active area with six drilling rigs currently operating within five to fifteen miles of the SWD facility. As a result, White Owl is anticipating disposal volumes to increase in 2025 once the investment in capital and maintenance previously deferred by the former owners is completed. The upgrade program includes expenditures to improve truck offload times in anticipation of increased volumes. The well was temporarily shut-in in mid-August for unforeseen well repairs with a net cost to White Owl of approximately US\$175,000. The well resumed injection on October 24, 2024. *(Please see "Killdeer SWD JV Facility" on Page 15 for more information).*
- Capital expenditures for the twelve months ended December 31, 2024, totaled \$2,325,000, and include injection system upgrade costs of \$937,000 and \$855,000, respectively, for the Ross SWD and New Town SWD, \$213,000 for additions to spare parts inventory, \$166,000 for additions to field truck and bobcat equipment and \$57,000 for installation of sump pumps at the Epping SWD facility. The

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

injection systems at the Ross SWD and New Town SWD facilities were upgraded with the purchase and installation of a permanent 800-hp horizontal pump and programmable logic controller (“PLC”) to replace the temporary 600-hp rental pumps. These upgrades increased the injection capacity at each facility by approximately 3,000 bpd.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(\$000’s unless otherwise noted)	Three months ended December 31,			Twelve months ended December 31,		
	2024	2023	%	2024	2023	%
<u>Continuing operations</u>						
North Dakota operations						
Disposal volumes (Bbls)	3,883,696	3,754,256	3%	14,920,168	15,011,294	-1%
Recovered oil sales volumes (Bbls)	21,081	21,267	-1%	87,909	81,504	8%
Disposal revenue (\$ per Bbl)	\$0.82	\$0.86	-4%	\$0.82	\$0.82	0%
Oil sales revenue (\$ per Bbl)	\$84.21	\$90.45	-7%	\$87.72	\$92.14	-5%
Operating costs and royalties (\$ per Bbl)	\$0.68	\$0.80	-15%	\$0.72	\$0.76	-5%
North Dakota disposal and services revenue						
Disposal revenue	\$3,199	\$3,227	-1%	\$12,169	\$12,314	-1%
Oil sales revenue	1,757	1,923	-9%	7,692	7,510	2%
Other revenue	187	123	52%	617	438	41%
Total revenue – North Dakota continuing operations						
Operating costs and royalties	(2,632)	(3,011)	-13%	(10,696)	(11,401)	-6%
Operating income⁽¹⁾ – North Dakota continuing operations						
General and administrative expenses (“G&A”)	(1,155)	(721)	60%	(2,932)	(2,371)	24%
Bad debt expense	-	-	-	(19)	-	100%
EBITDA⁽¹⁾ continuing operations						
Other income and expenses						
Depreciation	(624)	(540)	16%	(2,309)	(1,979)	17%
Amortization	(17)	(16)	6%	(65)	(64)	2%
Impairment	-	(470)	-100%	-	(470)	-100%
Finance costs	(121)	(208)	-42%	(631)	(1,050)	-40%
Share-based payments	(2)	(5)	-60%	(15)	(46)	-67%
Bargain purchase gain	-	-	-	750	-	100%
Loss on disposition of joint operation interest	-	-	-	(375)	-	100%
Foreign exchange gain (losses)	(1,532)	444	-445%	(1,923)	378	-609%
Gain on disposal of property, plant and equipment - net	-	6	-100%	20	15	33%
Gain on loan payable forgiveness	-	-	-	-	20	-100%
Gain on abandonment	-	19	-100%	-	19	-100%
Income tax expense	(2)	(1)	100%	(10)	(8)	25%
Net income (loss) from continuing operations						
Income from discontinued operation						
Net income (loss)						

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

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

EBITDA from continuing operations for the twelve months ended December 31, 2024, increased 5% to \$6,831,000 from \$6,490,000 for 2023, mainly due to lower operating costs and royalties (down 6% year-over-year) and stronger recovered oil sales revenue (up 2% year-over-year), partially offset by higher general and administrative expenses. General and administrative expenses increased to \$2,932,000 from \$2,371,000, mainly due to a one-time compensation expense recorded in the fourth quarter and higher professional fees.

Q4 2024 EBITDA from continuing operations decreased 12% to \$1,356,000 from \$1,541,000 for Q4 2023, mainly due to higher general and administrative (“G&A”) expenses. *Please see G&A Expenses on Page 20.*

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

North Dakota – Continuing Operations

Operating Income:

For the three and twelve months ended December 31, 2024, operating income increased 11% and 10% to \$2,511,000 and \$9,782,000, respectively, from \$2,262,000 and \$8,861,000 for the comparable 2023 three- and twelve-month periods, respectively. The increase in operating income was primarily a result of lower operating costs and royalties, with the operating income margin improving to 48% for 2024 from 44% for 2023. *Please see “Operating Costs and Royalties” on Page 6.*

The New Town, Watford City and Epping SWD facilities recorded operating income increases of 50%, 75% and 91%, respectively, between the two years under review. Operating income for the Tioga SWD facility was constant for the twelve months ended December 31, 2024, versus the prior year, while operating income for the Ross SWD facility decreased 25% year-over-year due to decreased activity in the area, particularly in the second and third quarters of 2024. Operating income at Alexander decreased 75% due to the temporary two-month shut-down of the facility in Q3 2024 to complete a well workover. At the newly acquired Killdeer SWD facility, operating losses of \$135,000 and \$149,000 were recorded for the three and twelve months ended December 31, 2024, respectively, due to a three-month shutdown to complete a well workover.

Volumes:

Oil and gas producers continue to be active across the North Dakota Bakken with the current rig count at 33 rigs, unchanged from 33 rigs a year ago. In 2024, the steady rig count and the related well completion activity led to oil volumes increasing 8% to 87,909 barrels for the twelve months ended December 31, 2024, from 81,504 barrels for the prior year. The newly acquired Killdeer SWD accounted for 2,694 barrels (net to White Owl) of the year-over-year increase in recovered oil volumes. Significantly, year-over-year oil volumes

WHITE OWL ENERGY SERVICES INC. MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

increased by 9,000 barrels at the Watford City SWD facility and by 1,700 barrels (net to White Owl) at the Epping SWD facility. Oil volumes decreased year-over-year at White Owl's other facilities with the Ross SWD facility lower by 4,200 barrels, New Town SWD by 1,400 barrels and Tioga SWD by 1,500 barrels. Since the year end 2024, disposal and oil volumes have increased significantly at the Ross SWD facility due to increased producer activity commencing in the fourth quarter.

Q4 2024 recovered oil volumes totaled 21,081 barrels, down marginally from 21,267 barrels for Q4 2023. Q4 2024 disposal volumes increased 3% to 42,214 bpd from 40,765 bpd for Q4 2023, while for the twelve months ended December 31, 2024, disposal volumes averaged 40,699 bpd, slightly lower than the 41,127-bpd recorded for 2023. Disposal volumes include trucked production and flowback water (New Town, Watford City, Ross, Tioga, Killdeer and Epping facilities), pipeline water (Watford City, Tioga, Killdeer and Epping facilities) as well as non-hazardous industrial water disposed of by the Alexander facility.

Disposal volume increases were recorded by the Watford City SWD facility (up 1,600 bpd year-over-year) due to improved producer activity in the area and by the New Town SWD facility (up 1,300 bpd) mainly due to the temporary shut-down of a competing SWD facility for maintenance. While year-over-year disposal volumes remained constant at the Tioga SWD facility, the Ross SWD facility recorded a decrease of 2,900 bpd due to slow producer activity in the area in the second and third quarters of 2024, as previously mentioned. Despite a very strong increase in Epping SWD facility disposal volumes in December 2024 which has continued into 2025 to date, there was a year-over-year decrease of 740 bpd (net to White Owl). The newly acquired Killdeer SWD facility contributed 839 bpd (net to White Owl) for the seven-month period June 1, 2024 (when White Owl acquired its working interest) to December 31, 2024.

Non-hazardous industrial water disposed at the Alexander facility is included in total fluid disposal volumes mentioned above and decreased 34% to 93,247 barrels for the twelve months ended December 31, 2024, from 140,748 barrels for the prior year. The decrease is due to the temporary shut-down of the Alexander facility for the months of August and September 2024 to complete a well workover. Also, well capacity limitations developed in mid-2023 which have endured despite the application of several acid programs. (*Please see "Alexander Class 1 Facility" on Page 12*).

Revenue and Pricing:

As of January 1, 2025, a price increase of 10% for most customers was implemented for production water after several years of flat pricing. In addition, pricing for flowback water increased by 8%.

For the twelve months ended December 31, 2024, total revenue was \$20,478,000, a slight increase from \$20,262,000 recorded in 2023. Oil sales revenue increased 2% to \$7,692,000 for 2024 from \$7,510,000 for 2023, as the 8% increase in volumes was partially offset by a 5% decrease in the net realized oil price.

WHITE OWL ENERGY SERVICES INC. MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

Disposal revenue remained relatively constant at \$12,169,000 for 2024 compared to \$12,314,000 for 2023, matching the year-over-year change in disposal volumes. Disposal revenue unit pricing for the full range of disposal services averaged \$0.82 per barrel, unchanged from 2023.

Total revenue for Q4 2024 decreased 2% to \$5,143,000 from \$5,273,000 for Q4 2023, mainly due to oil sales decreasing 9% to \$1,757,000 from \$1,923,000. The lower oil sales revenue is due to a 1% decrease in oil volumes combining with a 7% decrease in net realized oil price. Also impacting total revenue for Q4 2024 was a decrease of \$199,000 in the Alexander facility's revenue from Q4 2023 due to the temporary shut-down of the Class 1 business for well repairs and lower levels of leachate because of dry weather conditions.

Recovered oil sales continue to be a material component of revenues and accounted for 34% and 38% of total revenue for the three and twelve months ended December 31, 2024, respectively, similar to 36% and 37%, respectively, for the comparable 2023 periods.

The Corporation's netback oil price for the twelve months ending December 31, 2024, decreased 6% to US\$64.01 from US\$68.24 for the year 2023. The Corporation's netback oil price decreased 10% to US\$59.45 per barrel for Q4 2024 from US\$66.38 per barrel for Q4 2023. White Owl's netback oil price is determined as WTI less deductions for trucking costs, taxes and plus or minus a Bakken differential. This differential turned negative in October 2023 for the first time since January 2022, resulting in negative US\$2.77 per barrel for 2024 compared to a positive differential of US\$0.16 per barrel for 2023. The Q4 2024 differential was negative US\$2.03 per barrel compared to negative US\$1.77 per barrel for Q4 2023.

Other revenue which includes overhead recoveries for management of joint venture operations and interest earned on cash deposits, increased 52% to \$187,000 for Q4 2024 from \$123,000 for Q4 2023 mainly due to overhead recovery fees for management of the Killdeer joint venture, of which White Owl became the operator effective June 1, 2024. *(Please see Page 15 for more information on the **Killdeer SWD JV Facility**).*

For the twelve months ending December 31, 2024, other revenue increased 41% to \$617,000 from \$438,000 for the prior year mainly due to the addition of Killdeer.

Operating Costs and Royalties:

Operating costs and royalties per barrel decreased 15% to \$0.68 (\$2,632,000) for Q4 2024 from \$0.80 (\$3,011,000) for Q4 2023, mainly because of lower solids disposal costs (down by \$0.05 per barrel), lower repairs and maintenance (down by \$0.04 per barrel). In addition, Q4 2023 included well workover costs of \$0.04 per barrel for the New Town SWD facility.

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MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

Operating costs and royalties decreased 5% to \$0.72 per barrel (\$10,696,000) for the twelve months ended December 31, 2024, from \$0.76 per barrel (\$11,401,000) in 2023, mainly due to lower repairs and maintenance costs which decreased by \$0.05 per barrel, year-over year.

Alberta – Discontinued Operation

On May 24, 2023, the Company disposed of its wholly owned subsidiary, White Owl Energy Services Ltd., for nominal consideration. The disposition comprised the shut-in oil and gas wells at Clairmont and included cash and cash equivalents, deposits, trade and other accounts receivables, oil and gas property, plant and equipment and the assumption by the purchaser of trade and other payables, promissory note, surface lease liabilities and all decommissioning liabilities associated with the Clairmont oil and gas assets. For additional information, please see **Canada** on Page 18.

REVENUE AND OPERATING INCOME (LOSS) BY FACILITY

(\$000's)	Three months ended December 31,			Twelve months ended December 31,		
	2024	2023	%	2024	2023	%
Oilfield waste disposal and oil sales						
New Town	1,015	1,176	-14%	5,169	4,993	4%
Watford City	1,166	1,070	9%	4,645	3,500	33%
Ross	1,573	1,515	4%	5,602	6,986	-20%
Alexander	169	368	-54%	825	1,042	-21%
Tioga JV	575	712	-19%	2,088	2,203	-5%
Killdeer JV	80	-	100%	411	-	100%
Epping JV	378	309	22%	1,121	1,100	2%
	4,956	5,150	-4%	19,861	19,824	0%
Other revenue	187	123	52%	617	438	41%
Total revenue	5,143	5,273	-2%	20,478	20,262	1%
Operating income (loss) from continuing operations						
New Town	465	437	6%	2,625	1,749	50%
Watford City	563	518	9%	2,534	1,452	75%
Ross	890	600	48%	2,687	3,564	-25%
Alexander	6	188	-97%	118	468	-75%
Tioga JV	318	332	-4%	925	967	-4%
Killdeer JV	(135)	-	-100%	(149)	-	-100%
Epping JV	217	64	239%	425	223	91%
Other revenue	187	123	52%	617	438	41%
Operating income ⁽¹⁾ from continuing operations	2,511	2,262	11%	9,782	8,861	10%
Operating loss ⁽¹⁾ discontinued operation	-	-	-	-	(29)	-100%
Total operating income ⁽¹⁾	2,511	2,262	11%	9,782	8,832	11%

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

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MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

New Town SWD Facility

Environmental and Safety:

There were no spills, environmental incidents, or safety incidents in the three and twelve months ended December 31, 2024, and 2023.

Operating Income:

Operating income increased 50% for the twelve months ended December 31, 2024, to \$2,625,000 from \$1,749,000 for the prior year, mainly due to lower operating costs and royalties (down 22%) and increased disposal volumes (up 11%).

Q4 2024 operating income increased 6% to \$465,000 from \$437,000 for Q4 2023 mainly due to lower repairs and maintenance costs. *Please see “Volumes” and “Operating Costs and Royalties” below.*

Volumes:

Disposal volumes increased 11% to 13,466 bpd for the year ended December 31, 2024, from 12,183 for 2023 mainly due to the increased producer activity and a temporary diversion of disposal volumes from a neighboring SWD facility in the July to October 2024 period. Q4 2024 disposal volumes decreased 5% to 10,631 bpd from 11,192 bpd for Q4 2023. Since year end, volumes have trended lower with the neighboring SWD facility returning to operation in Q4 2024, resulting in disposal volumes decreasing to approximately 7,000 – 8,000 bpd in Q1 2025.

Oil recovery can vary from month to month and depends on the mix of production and flowback volumes. For the three and twelve months ended December 31, 2024, recovered oil sales decreased to 4,231 barrels and 21,266 barrels, respectively, from 5,664 barrels and 22,627 barrels for the 2023 comparable periods, respectively.

Flowback continues to be weak at this site because there is competitive pressure from two adjoining SWD facilities where the competitors price flowback at production water prices. That said, flowback volumes doubled to 268 bpd for the year ending December 31, 2024, from 133 bpd for 2023.

Revenue and Pricing:

For the twelve months ending December 31, 2024, total revenue increased 4% to \$5,169,000 from \$4,993,000 for 2023, as disposal revenues increased 13% to \$3,313,000 from \$2,937,000 for 2023, approximately matching the increase in year-over-year disposal volumes. Q4 2024 disposal revenues decreased 3% to \$664,000 from \$679,000 for Q4 2023, matching the decrease in disposal volumes between the quarters.

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Lower oil volumes and prices resulted in oil revenue decreasing to \$352,000 and \$1,856,000 for the three and twelve months ended December 31, 2024, respectively, from \$497,000 and \$2,056,000 for the 2023 comparable periods, respectively.

Operating Costs and Royalties:

Operating costs and royalties decreased 26% to \$550,000 for the three months ending December 31, 2024, from \$739,000 for Q4 2023. On a unit basis, operating costs decreased to \$0.56 per barrel for Q4 2024 from \$0.72 per barrel for Q4 2023 mainly due to the prior year quarter including well workover costs.

Operating costs and royalties decreased 22% to \$2,544,000 (\$0.52 per barrel) for the twelve months ending December 31, 2024, from \$3,244,000 (\$0.73 per barrel) for the twelve months ending December 31, 2023. The decrease in per unit operating costs was mainly due to lower repairs and maintenance expenses which decreased to \$0.08 per barrel in 2024 from \$0.22 per barrel in 2023. Repairs and maintenance expense for 2023 included well workover costs of \$512,000, or \$0.12 per barrel.

Capital Projects:

Capital projects for the three and twelve months ended December 31, 2024, totaled \$34,000 and \$855,000, respectively. In 2024, a permanent 800-hp horizontal pump and PLC were purchased to replace the temporary 600-hp rental pump. This project resulted in increased plant capacity of approximately 3,000 bpd.

Watford City SWD Facility

Environmental and Safety:

There were no spills, environmental incidents, or safety incidents in the three and twelve months ended December 31, 2024, and 2023.

Operating Income:

For the twelve months ended December 31, 2024, operating income increased 75% to \$2,534,000 from \$1,452,000 for the prior year, mainly due to significantly higher oil and disposal revenue, with operating costs and royalties remaining relatively flat between the two years. Oil and disposal revenue increased year-over-year by \$722,000 and \$431,000, respectively.

Q4 2024 operating income increased 9% to \$563,000 from \$518,000 for Q4 2023, as increased disposal volumes and revenues more than offset lower oil revenues.

Volumes:

In 2024, business improved at the Watford City SWD facility. Increased drilling and completion activity in the area, combined with a change in customer mix, has led to recovered oil increasing 58% to 24,530 barrels

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for the twelve months ended December 31, 2024, from 15,522 barrels for 2023. In Q4 2024, recovered oil sales remained relatively constant at 4,754 barrels versus 4,922 barrels for Q4 2023.

Disposal volumes for the twelve months ended December 31, 2024, increased 21% to 9,061 bpd from 7,514 bpd for prior year, while Q4 2024 disposal volumes increased 43% to 11,341 bpd from 7,919 bpd for Q4 2023.

Revenues and Pricing:

Total revenue for the twelve months ended December 31, 2024, increased 33% to \$4,645,000 from \$3,500,000 for 2023. The increase is mainly due to recovered oil revenue increasing 51% to \$2,150,000 for 2024 from \$1,428,000 for 2023. The significantly higher oil volumes more than offset a 7% decrease in the net oil price between the two years. Disposal revenue increased 20% to \$2,495,000 for 2024 from \$2,072,000 for 2023, matching the year-over-year increase in disposal volumes.

For Q4 2024, total revenue increased 9% to \$1,166,000 from \$1,070,000 for Q4 2023, with disposal revenue increasing 25% to \$773,000 from \$617,000 for Q4 2023. The increase in disposal revenue more than offset lower oil revenue which decreased 13% to \$393,000 from \$453,000 for Q4 2023, mainly due to a lower net realized oil price.

Operating Costs and Royalties:

Even though year over year volumes increased 21%, there was little change in operating costs and royalties with these costs totaling \$2,111,000 (or \$0.64 per barrel) for the twelve months ended December 31, 2024, versus \$2,048,000 (or \$0.75 per barrel) for the prior year. The lower unit cost in 2024 is mainly due to lower repairs and maintenance expenses, as well as the higher disposal volumes being spread across the fixed component of operating costs.

Similarly, even though disposal volumes increased 43%, operating costs and royalties increased 9% to \$603,000 (\$0.58 per barrel) for Q4 2024 from \$552,000 (\$0.76 per barrel) for Q4 2023, again due to the fixed component of operating costs being spread across higher volumes. In addition, the fourth quarter of 2023 included high solids' disposal costs relative to the current quarter.

Capital Projects:

Capital projects at this site totaled \$28,000 for the twelve months ending December 31, 2024.

Ross SWD Facility

Environmental and Safety:

There were no spills, environmental incidents, or safety incidents in the three and twelve months ended December 31, 2024, and 2023.

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Operating Income:

For Q4 2024, operating income increased 48% to \$890,000 from \$600,000 for Q4 2023, mainly due to lower operating costs and royalties (down by 25% between the quarters). Please see “*Operating Costs and Royalties*” below.

For the twelve months ended December 31, 2024, operating income decreased 25% to \$2,687,000 from \$3,564,000 for the prior year, mainly due to slower producer activity in the spring and summer, which resulted in lower oil revenue (down by \$536,000 year-over-year, or 19%) and lower disposal revenue (down by \$857,000, or 20%).

Volumes:

At the Ross SWD facility, producer drilling and completion activity in the area tends to be cyclical and the second and third quarters of 2024 were relatively slow. In contrast, producer activity increased later in the year, resulting in Q4 2024 disposal volumes increasing 13% over the prior quarter, Q3 2024.

Disposal volumes increased 4% to 12,281 bpd for Q4 2024 from 11,842 bpd for Q4 2023, while oil sales increased 3% to 7,196 barrels from 6,998 barrels.

For the twelve months ended December 31, 2024, disposal volumes decreased 21% to 10,894 bpd from 13,774 bpd, while oil sales decreased 14% to 25,496 barrels from 29,706 barrels due to the previously mentioned slow producer activity in the spring and summer.

Revenues and Pricing:

Total revenue increased 4% to \$1,573,000 for the three months ended December 31, 2024, from \$1,515,000 for Q4 2023, matching the increase in disposal volumes. Q4 2024 oil revenue decreased 7%, as volumes increased 3% and the net realized oil price decreased 10% between the two quarters.

For the twelve months ended December 31, 2024, total revenue decreased 20% to \$5,602,000 from \$6,986,000 for the prior year, mainly due to the previously mentioned slow producer activity in the year. Oil sales decreased 19% to \$2,234,000 for 2024 from \$2,764,000 for 2023 on lower volumes (down 14%) and a 6% decrease in the year-over-year net realized oil price. Disposal revenue decreased 20% to \$3,368,000 for the twelve months ended December 31, 2024, from \$4,222,000 for the prior year, matching the year-over-year decrease in disposal volumes.

Operating Costs and Royalties:

Operating costs and royalties decreased 25% to \$683,000 (\$0.60 per barrel) for Q4 2024 from \$915,000 (\$0.84 per barrel) for Q4 2023. The decrease was mainly due to lower fixed costs across several categories including

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injection pump rental costs, insurance, salaries and benefits, as well as lower repairs and maintenance and utilities expenses between the two quarters.

For the twelve months ended December 31, 2024, operating costs and royalties decreased 15% to \$2,915,000 from \$3,422,000 for the prior year. On a per barrel basis, operating costs increased to \$0.73 per barrel from \$0.68 per barrel for 2023. This increase was a result of lower disposal volumes (down 21% year-over-year) being spread across the fixed component of operating costs. In addition, a replacement desand tank was installed in February 2024.

Capital Projects:

Capital projects for the twelve months ended December 31, 2024, totaled \$937,000, mostly comprising the purchase and installation of a permanent 800-hp horizontal pump and PLC to replace the two temporary rental pumps. This project was completed in January 2025 and will provide increased injection capacity of about 3,000 bpd in anticipation of higher disposal volumes.

Alexander Class 1 Facility

White Owl's Class 1 water disposal business was established in 2019 with the conversion of the underutilised Alexander Class 2 SWD to Class 1 disposal. The customer base includes producers, pipeline operators and landfill operators as well as small generators of non-hazardous waste. Although there are significant volumes of Class 1 water generated in North Dakota, not all generators are aware of the regulatory requirement to use Class 1 disposal for non-hazardous industrial fluids, and some continue to use permitted Class 2 facilities for disposal of these fluids. This practice is anticipated to decline over time as internal pressure for environmental compliance combined with regulatory enforcement will mean customers will need to use licensed Class 1 disposal. During 2022 and 2023, the Class 1 customer base expanded due to the growing recognition that a local Class 1 disposal service is readily accessible in North Dakota. The alternatives for customers are unauthorised disposal in Class 2 facilities as discussed above, or shipping to Class 1 treatment facilities in adjoining states.

Environmental and Safety:

There were no spills, environmental incidents, or safety incidents in the three and twelve months ended December 31, 2024, and 2023.

Operating Income:

In August and September 2024, the well was shut in for repairs to the tubing. This is normally a busy period for this facility, so the two-month shut-down resulted in operating income decreasing to \$118,000 for the twelve

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months ended December 31, 2024, from \$468,000 for the 2023 year. In addition, the workover led to higher operating costs for the year (please see “*Operating Costs and Royalties*” below).

Dry weather conditions in the summer and fall of 2024 led to low leachate disposal volumes in the fourth quarter, resulting in a decrease in operating income to \$6,000 from \$188,000 for Q4 2023.

Volumes:

The Class 1 business is typically a spring, summer and fall business due to freezing of the fresh water during the winter months. Typically, approximately 70% of the annual disposal volumes at this facility are received in the second and third quarters of the year.

For the twelve months ended December 31, 2024, volumes decreased 34% to 93,247 barrels from 140,748 barrels for the 2023 year due to the temporary halt in operations in Q3 2024 to complete a workover, as well as a weak fourth quarter compared to 2023’s comparable quarter, due to dry weather conditions. As a result, Q4 2024 volumes decreased to 18,697 barrels from 43,207 barrels for Q4 2023.

Revenues and Pricing:

For the twelve months ended December 31, 2024, total revenue decreased 21% to \$825,000 from \$1,042,000 for the prior year. Pricing increased 18% year-over-year due to price increases implemented in late 2023 and helped mitigate the impact of the decrease in injection volumes. Q4 2024 total revenue decreased to \$169,000 from \$368,000 due to the lower volumes. *Please see “Volumes” above.*

Operating Costs and Royalties:

For the twelve months ended December 31, 2024, workover costs of \$172,000 in Q3 2024 resulted in operating costs and royalties increasing 23% to \$707,000 from \$574,000 for the prior year. Q4 2024 operating costs and royalties decreased 9% to \$163,000 from \$180,000 due to lower disposal volumes between the quarters.

Capital Projects:

Capital projects at this site totaled \$17,800 for the twelve months ended December 31, 2024.

Tioga SWD JV Facility

The discussion below is based on total volumes for the facility while the financial information represents White Owl’s 47% interest in the Tioga JV. The Tioga SWD facility is one of four pipeline-connected facilities among the Corporation’s total suite of six Class 2 SWD facilities, the others being Watford City, Epping and Killdeer.

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Environmental and Safety:

There were no spills, environmental incidents, or safety incidents in the three and twelve months ended December 31, 2024, and 2023.

Operating Income:

There was little change in operating income for the twelve months ended December 31, 2024, at \$925,000 versus \$967,000 for 2023. Lower oil sales revenue more than offset lower operating costs and royalties, while revenue for trucked, pipeline and flowback water remained relatively constant between the two years. Please see “*Volumes*” and “*Revenues and Pricing*” below.

Similarly, there was little change in Q4 2024 operating income, at \$318,000 versus \$332,000 for Q4 2023, as lower disposal revenue and oil sales were mainly offset by lower operating costs and royalties.

Volumes:

Disposal volumes increased slightly to 8,167 bpd for the twelve months ended December 31, 2024, from 8,016 barrels for 2023. Notably, pipeline volumes totaled 2,835 bpd, or 35% of total disposal volumes for 2024 versus negligible pipeline volumes for 2023.

Disposal volumes decreased 37% to 7,474 bpd for Q4 2024 from 11,844 bpd for Q4 2023, mainly due to lower producer activity. Pipeline volumes totaled 2,753 bpd, or 37% of total disposal volumes for the quarter, versus 499 bpd for Q4 2023.

Oil recovery can vary from month to month and depends on the mix of production and flowback volumes. This is evident where the higher rate of pipeline volumes in 2024 resulted in a decrease in recovered oil volumes as there is little oil to be recovered from pipeline water. Oil volumes decreased 13% to 21,549 barrels for the twelve months ended December 31, 2024, from 24,681 barrels for 2023.

However, the increased pipeline water content in Q4 2024 had little impact on recovered oil volumes which totaled 7,091 barrels, an increase of 9% from 6,502 barrels in Q4 2023.

Revenues and Pricing:

Total revenue, net to White Owl, decreased 5% to \$2,088,000 for the twelve months ended December 31, 2024, from \$2,203,000 for the 2023 year, as higher disposal revenue was more than offset by lower oil sales. Disposal revenue increased 6% to \$1,204,000 for 2024 from \$1,133,000 for 2023, due to a 2% increase in disposal volumes combining with a 4% increase in pricing for trucked-in volumes. Recovered oil revenue decreased 17% to \$884,000 between the two years, as oil volumes decreased 13% and the netback price was 5% lower.

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Q4 2024 total revenue, net to White Owl, decreased 19% to \$575,000 from \$712,000 for Q4 2023. Disposal revenues decreased 33% to \$296,000 from \$441,000, mainly due to the lower disposal volumes (down 37% between the quarters). Oil revenue increased 3% to \$279,000 for Q4 2024 from \$271,000 for Q4 2023, as a 9% increase in oil volumes mostly offset a 6% lower netback price.

Operating Costs and Royalties:

Operating costs and royalties decreased 6% to \$1,163,000 for the twelve months ended December 31, 2024, from \$1,236,000 for the prior year. On a per barrel basis, operating costs decreased to \$0.83 per barrel for 2024 from \$0.90 per barrel for 2023, even though disposal volumes remained relatively flat (up 2% between the two years). The decrease in per-unit operating costs is mainly due to reduced pump maintenance expenses after the Triplex pumps were replaced with a rental horizontal pump during Q4 2023. This pump has reduced the facility's downtime for maintenance and increased the injection capacity by approximately 2,000 bpd. Plans are being developed to replace the rental pump with a permanent horizontal pump and PLC in 2025.

Q4 2024 operating costs and royalties decreased 32% to \$257,000 (\$0.80 per barrel) from \$380,000 (\$0.74 per barrel) for Q4 2023, approximately matching the 37% decrease in disposal volumes between the quarters.

Capital Projects:

There was \$7,800 capital spent at this facility for the twelve months ended December 31, 2024. During the fourth quarter of 2023, the rental pump referenced above was installed and the charge pump and filter housing skid were also upgraded to accommodate the higher injection rate of the horizontal pump. The rental pump is not a permanent fixture and is budgeted to be replaced with a permanent horizontal pump in 2025.

Killdeer SWD JV Facility

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

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

During August, the Killdeer JV injection well was shut in for repairs. The well had incurred significant damage over the past two years with parted and corroded tubing and significant solids' content in the well bore. The

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resulting workover included removal of solids from the well, reperforating and acidizing the injection zone and replacing the entire damaged tubing string. To pay for the unexpected workover costs which totaled US\$1.4 million (gross), ND SWD Well #1 paid 75% of these costs, with the net cost to White Owl totaling US\$175,000.

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

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

Environmental and Safety:

For the three and twelve months ended December 31, 2024, there were no reportable spills, environmental incidents or safety incidents.

Operating Income:

For the three and twelve months ended December 31, 2024, this facility recorded an operating loss of \$135,000 and \$149,000, respectively, net to White Owl, due to the shutting-in of the facility in mid-August 2024 for well repairs, as discussed above. Please see "*Volumes*" and "*Revenues and Pricing*" below.

Volumes:

Killdeer is a busy area with six drilling rigs currently operating within five to fifteen miles of the Killdeer Facility. However, despite this activity, volumes at the Killdeer SWD will remain relatively low until White Owl completes the delayed maintenance and plant improvements required under the terms of the JV Agreement. For example, the plant improvements include expenditures to facilitate faster truck offloading. As a result, White Owl is anticipating disposal volumes and recovered oil to increase in the second half of 2025 once the investment in capital and maintenance previously deferred by the former owners is completed.

For the three months ended December 31, 2024, gross fluid disposal volumes totaled 3,607 bpd, up from 1,610 bpd (gross) for the previous quarter. Q4 2024 gross oil sales volumes totaled 891 barrels, down from 2,757 barrels (gross) for the previous quarter.

Revenues and Pricing:

Since acquiring the working interest in the Killdeer JV on June 1, 2024, revenue totaled \$411,000 for the seven months ended December 31, 2024. Oil sales accounted for \$237,000, with disposal revenue accounting for \$174,000.

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Operating Costs and Royalties:

Operating costs and royalties totalled \$560,000 for the seven months ended December 31, 2024, with the main expense being a well workover costing \$175,000.

Capital Projects:

From June 1, 2024, to December 31, 2024, capital expenditures totaled \$562,000.

Epping SWD JV Facility

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

Environmental and Safety:

For the three and twelve months ended December 31, 2024, there were no reportable spills, environmental incidents or safety incidents. However, in Q1 2023 there was a small spill of 15 barrels of fluid, which was immediately cleaned up and the North Dakota Industrial Commission was notified. The total cost of the clean-up was \$19,000.

Operating Income:

Operating income increased 91% to \$425,000 for the twelve months ended December 31, 2024, from \$223,000 for 2023, mainly due to stronger oil sales in the fourth quarter and lower operating expenses and royalties, which more than offset lower disposal revenues.

Q4 2024 operating income more than tripled to \$217,000 from \$64,000 for Q4 2023 as recovered oil revenues almost doubled and operating costs and royalties decreased by \$85,000 between the quarters. Please see “*Revenues and Pricing*” and “*Operating Costs and Royalties*” below.

Volumes:

Several producers were very active in the area in the second half of 2024, resulting in a 50% increase in disposal volumes for Q4 2024 compared to the previous quarter, Q3 2024. Notably, the pipeline connected customer has requested a significant increase in Epping disposal capacity commencing in late 2025.

Disposal volumes averaged 9,553 bpd for the three months ended December 31, 2024, with the month of December averaging 12,264 bpd. In particular, oil-rich flowback volumes increased five-fold to 1,326 bpd from 257 bpd in the prior year quarter, resulting from increased well completion activity. Therefore, recovered oil volumes more than doubled to 3,845 barrels for Q4 2024 from 1,798 barrels for Q4 2023.

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Flowback volumes doubled for the twelve months ended December 31, 2024, leading to oil volumes increasing 85% to 10,843 barrels for 2024 from 5,862 barrels for 2023. With disposal volumes recovering to exit the year at 12,000 bpd, disposal volumes averaged 7,888 bpd for 2024, down from 10,005 bpd for 2023.

Revenues and Pricing:

Total revenue for the twelve months ended December 31, 2024, remained constant at \$1,121,000 versus \$1,100,000 for 2023, as the increase in oil revenues (oil volumes up 85% year-over-year) offset lower disposal revenues (disposal volumes down 21% year-over-year). There was no change in disposal pricing year-over-year, while the net realized oil price decreased 4% between the two years.

Total revenue increased 22% to \$378,000 for Q4 2024 from \$309,000 for Q4 2023, due to the previously mentioned increased producer activity in the second half of the year. Oil revenue almost doubled to \$112,000 for Q4 2024 from \$57,000 for Q4 2023, while higher flowback revenues more than offset lower revenues from production water.

Operating Costs and Royalties:

Q4 2024 operating costs and royalties decreased 34% to \$161,000 (\$0.52 per barrel) from \$245,000 (\$0.70 per barrel) for Q4 2023. The decrease is mainly due to lower repairs and maintenance and decreased costs for chemicals and filters. In addition, labour costs decreased when the site went from having an operator onsite 24 hours per day to 12 hours per day commencing in April 2024 due to low volumes. Since December 2024, the facility returned to full staffing levels since disposal volumes have increased significantly.

For the twelve months ended December 31, 2024, operating costs and royalties decreased 21% to \$696,000 (\$0.68 per barrel) versus \$877,000 (\$0.69 per barrel) for 2023, consistent with the year-over-year decrease in disposal volumes.

Capital Projects:

Capital expenditures totaled \$70,000 for the twelve months ended December 31, 2024, comprising the installation of a sump collection system for the truck offloads, which was completed in the second quarter of 2024. This upgrade will help capture small amounts of oil remaining on trucks at the end of the unload process.

Canada

Discontinued Operation:

Effective October 14, 2022, the Company disposed of the Clairmont Terminal assets and associated liabilities to its joint venture partner for \$1,400,000 (\$1,250,000 net of costs). The disposition consisted of Clairmont Terminal property, plant and equipment, four associated wells and associated decommissioning liabilities and

WHITE OWL ENERGY SERVICES INC. MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

surface lease liabilities. After this disposition, the remaining oil and gas assets at Clairmont were considered to be a discontinued operation for accounting purposes.

Disposal of Remaining Oil and Gas Assets:

Effective May 24, 2023, the Company disposed of its wholly owned subsidiary White Owl Energy Services Ltd. for nominal consideration, subject to closing conditions and adjustments. This subsidiary held the remaining oil and gas properties at Clairmont. The disposition included cash and cash equivalents, deposits, trade and other accounts receivables, oil and gas property, plant and equipment and the assumption of trade and other accounts payables, promissory note, surface lease liabilities and all decommissioning liabilities associated with the Clairmont oil and gas assets. As a result of this transaction, the Company recognized a gain on disposition of subsidiary of \$566,000 in comprehensive income for the twelve months ended December 31, 2023.

In addition to the cash consideration, in the event the buyer completes a liquidity event on or before November 24, 2024, the buyer will cause the resulting issuer to issue 1,000,000 resulting issuer shares from treasury to 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.

Environmental and Safety:

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

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WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

Net Income from Discontinued Operation:

For the three and twelve months ended December 31, 2024, the Corporation recorded net income from discontinued operation of nil versus nil and \$502,000 for the three and twelve months ended December 31, 2023, respectively.

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

OTHER REVENUE

Other revenue includes operational, administration and capital fees charged by White Owl for services provided by White Owl to the Tioga JV, Killdeer JV and Epping JV, as well as interest earned on cash deposits. Other revenue for Q4 2024 increased 52% to \$187,000 from \$123,000 for Q4 2023, mainly due to overhead recovery fees for management of the Killdeer JV, of which White Owl became the operator effective June 1, 2024. For the twelve months ended December 31, 2024, other revenue increased 41% to \$617,000 from \$438,000 for 2023, also due to overhead recovery fees for the management of the Killdeer JV.

G&A EXPENSES

(\$000's)	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	2024	2023
Salaries and management	900	574	2,013	1,575
Professional Fees	100	29	382	298
Travel and related expenses	42	20	121	86
General office expenses	87	88	339	340
Third party consulting fees	26	10	77	72
Total from continuing operations	1,155	721	2,932	2,371
Discontinued operation	-	-	-	5
Total	1,155	721	2,932	2,376

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

Q4 2024 G&A expenses from continuing operations increased to \$1,155,000 from \$721,000 for Q4 2023, mainly due to a one-time compensation expense and higher professional fees.

For the twelve months ended December 31, 2024, G&A expenses from continuing operations increased to \$2,932,000 from \$2,376,000 for 2023, mainly due to the one-time compensation expense recorded in the fourth quarter. In addition, professional fees were higher for the current year due to increased legal expenses in relation to the execution on June 26, 2024, of a Capital Reorganization Term Sheet with representatives of the Company's preferred shareholders (*please see "Corporate Review" on Page 28.*

DEPRECIATION

Depreciation from continuing operations increased for the three and twelve months ended December 31, 2024, mainly due to the Corporation acquiring an interest in the Killdeer SWD in June 2024. As a result, depreciation from continuing operations increased to \$624,000 for Q4 2024 from \$540,000 for Q4 2023 and increased to \$2,309,000 from \$1,979,000 year-over-year. Please see **"Investing Activities"** on Page 24.

IMPAIRMENT

At December 31, 2024, White Owl evaluated its property, plant and equipment for indicators of any potential impairment or related reversal. No indicators were identified, and no impairment or related reversal was recorded on property, plant and equipment assets.

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

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

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WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

FINANCE COSTS

(\$000's)	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	2024	2023
Interest on long-term debt	67	128	350	725
Interest on lease liabilities	8	4	21	14
Accretion of decommissioning obligations	16	14	60	54
Accretion of transaction costs	34	51	164	167
Interest (income) expenses, bank charges and other	(4)	11	36	90
Total from continuing operations	121	208	631	1,050
Discontinued operation	-	-	-	10
Total	121	208	631	1,060

For the three months ended December 31, 2024, the Company's average interest rate on the senior lender's long-term debt was 10.60% compared to 11.35% for Q4 2023. For the twelve months ended December 31, 2024, the Company's average interest rate on the senior lender's long-term debt was 11.17% compared to 10.50% for 2023. The interest rate is calculated at the US dollar floating interest rate plus 1.50%.

For the three months ended December 31, 2024, interest on long-term debt decreased to \$67,000 from \$128,000 for Q4 2023 due to lower outstanding term debt and interest rate. The average outstanding debt decreased to US\$1.8 million for Q4 2024 from US\$3.3 million for Q4 2023.

For the twelve months ended December 31, 2024, interest on long-term debt decreased to \$350,000 from \$725,000 for 2023, again due to lower outstanding term debt and interest rate. The average outstanding debt decreased to US\$2.4 million for the twelve months ended December 31, 2024, from US\$5.5 million for 2023.

FOREIGN EXCHANGE GAINS AND LOSSES

Foreign exchange gains and losses reflect the impact of changes in exchange rates on US dollar cash balances and intercompany loans. For the three months ending December 31, 2024, the Company recorded foreign exchange losses of \$1,532,000 compared to foreign exchange gains of \$444,000 for Q4 2023. For the twelve months ending December 31, 2024, the Company recorded foreign exchange losses of \$1,923,000 compared to gains of \$378,000 for 2023.

The average exchange rate for Q4 2024 was 1.3990 compared to 1.3619 for Q4 2023. The average exchange rate for the twelve months ending December 31, 2024, was 1.3700 compared to 1.3497 for 2023.

SHARE-BASED PAYMENTS

Share-based payments relate to the amortization of the fair value of stock options issued to management, employees and directors of the Company. For the three months ending December 31, 2024, the Company

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

recorded share-based payments of \$2,000 compared to \$5,000 for Q4 2023. For the twelve months ending December 31, 2024, the Company recorded share-based payments of \$15,000 compared to \$46,000 for 2023. The decrease in share-based payments expense is primarily due to a decrease in unvested options in 2024.

SUMMARY OF QUARTERLY RESULTS FROM CONTINUING OPERATIONS

(\$000's)	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Revenue	\$5,143	\$4,962	\$5,094	\$5,279	\$5,273	\$5,834	\$4,802	\$4,353
EBITDA ⁽¹⁾	1,356	1,675	1,705	2,094	1,541	1,884	1,651	1,414
Net income from continuing operations	942	1,216	1,118	881	770	685	1,184	666
Net income (loss) from discontinued operation	-	-	-	-	-	-	558	(56)

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

The decrease in net income from continuing operations to \$942,000 for Q4 2024 is mainly the result of the recording of an exchange loss. The increase in net income from continuing operations to \$1,216,000 for Q3 2024 from \$1,118,000 for Q2 2024 is mainly due to lower operating costs and royalties. The increase in net income from continuing operations to \$1,118,000 for Q2 2024 from \$881,000 for Q1 2024 is mainly due to a bargain purchase gain of \$750,000 related to the Company's investment in the Killdeer JV effective June 1, 2024. This bargain purchase gain was partially offset by a loss of \$375,000 related to the White Owl's disposition of 50% of its participating interest in the Killdeer JV, also effective June 1, 2024. The increase in net income from continuing operations to \$881,000 for Q1 2024 from \$770,000 for Q4 2023 is mainly due to increased oil revenues, partially offset by foreign exchange losses. The decrease in net income from continuing operations to \$770,000 for Q4 2023 and \$685,000 for Q3 2023 from \$1,184,000 for Q2 2023 is mainly due to an impairment charge of \$470,000 recorded in Q4 2023 and a foreign exchange loss recorded in Q3 2023, compared to a foreign exchange gain of \$335,000 recorded in Q2 2023. The increase in net income from continuing operations to \$1,184,000 for Q2 2023 from \$666,000 for Q1 2023 is mainly due to increased disposal revenue and a gain of \$566,000 on disposition of a subsidiary (please see **Canada** on Page 18).

LIQUIDITY AND CAPITAL RESOURCES

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

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

sources of capital to fund capital investments, while ensuring that sufficient operating cash flow is available to sustain and grow the operating business.

Investing Activities

(\$000's)	Three months ended December 31		Twelve months ended December 31	
	2024	2023	2024	2023
Additions to property, plant and equipment	357	904	2,325	1,916
Proceeds from sale of property, plant and equipment	-	-	(20)	(13)
Total capital expenditures	357	904	2,305	1,903

Capital Expenditures:

Capital expenditures for the three months ended December 31, 2024, totaled \$357,000 compared to \$904,000 for Q4 2023, with the current quarter including injection pump upgrade costs of \$220,000 for the Ross SWD facility. Capital expenditures for the twelve months ended December 31, 2024, totaled \$2,325,000, and include injection system upgrade costs of \$937,000 and \$855,000 for the Ross SWD and New Town SWD facility, respectively, \$213,000 for additions to spare parts inventory, \$166,000 for additions to field track and bobcat equipment and \$57,000 for installation of sump pumps at the Epping SWD facility. The injection systems at the Ross SWD and New Town SWD facilities were upgraded with the purchase and installation of a permanent 800-hp horizontal pump to replace the temporary 600-hp rental pumps. Please see “*Capital Projects*” for the New Town SWD and Ross SWD facilities on Pages 9 and 12, respectively.

Financing Activities

Share Capital:

Shares issued and outstanding (000's)	Common shares	Amount (\$000)	Preferred shares	Amount (\$000)	Total	Amount (\$000)
Balance December 31, 2023	65,633	\$21,118	26,469	\$12,353	92,102	\$33,471
Issuance on exercise of share options	2,902	248	-	-	2,902	248
Balance December 31, 2024	68,535	\$21,366	26,469	\$12,353	95,004	\$33,719

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

Share Options

There were 3,431,000 share options outstanding as of December 31, 2024 (December 31, 2023 – 6,633,000), with a weighted average exercise price of \$0.05 (December 31, 2023 - \$0.05) per share. During the three- and

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

twelve-months ending December 31, 2024, nil share options were granted to employees, management and directors of the Company, 300,000 share options were forfeited, and nil share options expired.

On April 12, 2024, 1,000,000 share options were exercised by an executive and director of the Corporation at an exercise price of \$0.05 per share, for total proceeds of \$50,000. In December 2024, 1,902,000 share options were exercised by directors, management and employees of the Corporation at an exercise price of \$0.05 per share, for total proceeds of \$95,000.

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

Long-Term Debt and Operating Loan

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. 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

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

of US\$1,283,280 for the twelve months ended December 31, 2024.

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

Covenant description	Position at December 31, 2024	Position at December 31, 2023
Fixed charge coverage ratio	1.68	1.56

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

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.

Covenant description	Position at December 31, 2024	Position at December 31, 2023
Cash Flow Coverage Ratio	15.98	7.37
Debt to Tangible Net Worth Ratio	0.38	0.57
Current Ratio	1.32	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. 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 requires the Company to return to compliance by April 5, 2024. The Company was compliant with all other covenants provided for in the

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

operating loan agreement.

Net Debt To EBITDA:

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

Net Debt (\$000’s , except ratio amounts)	December 31, 2024	December 31, 2023
Non-current long-term debt	567	2,142
Non-current lease liabilities	112	45
Current liabilities	5,750	5,420
Current assets	(7,598)	(5,443)
Net debt (cash)	(1,169)	2,164
EBITDA from continuing operations (trailing twelve months)	6,831	6,490
Net debt to EBITDA ratio	(0.17)	0.33

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

Strong sustainability performance is fundamental to our business, and we continue to pursue opportunities to progress our ESG targets and reduce our emissions from all sources. We continue to focus on several environmental areas including greenhouse gas emissions through efficiencies and water use as well as safety and governance performance.

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

OUTLOOK

North Dakota Bakken Activity

Bakken production remains stable at 1.2 million barrels per day of oil and 3.4 Bcf/d per day of liquids rich gas with the rig count at 32 -35 rigs. The change in leadership in the White House has created some uncertainty and will need to be monitored closely. Initial reports show there is no expectation of a material increase or decrease in drilling activities in the North Dakota Bakken play due to the change in leadership or the tariffs. Well permitting continues to remain steady but the main concern for White Owl is the negative effect tariffs will have on operating expenses. We have seen success on increasing our disposal rates going into 2025, now we need to manage the increase in expenses the tariffs may cause so as not to erode the positive impact of the rate increases and possibly more.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

We mentioned in the Q3 report that gas production in the Bakken is 3.4 Bcf/d per day of gross associated gas production which is richly saturated with increasing volumes of NGLs (some with more than 9 gallons-per-Mcf, or GPM). With recovered NGL production at over 450,000 barrels per day and increasing, management is seeing opportunity to handle small volumes of field condensate for its customers at its SWD locations. Discussions on this potential opportunity are ongoing.

White Owl's customers continue to maintain that they have 10 years on Tier 1 drilling inventory remaining. Mergers and acquisitions continue and the integration of the companies that did deals in 2024 are occurring going into 2025. A focus on client relations with the acquiring companies is at management's top of mind to ensure transitions do not disrupt White Owl business and possibly provide larger opportunities for us.

Dakota Access Pipeline

No changes this quarter with the Dakota Access Pipeline remaining in limbo and as reported in Q3 2024, federal officials released a draft environmental review of the pipeline in September 2023, in which they said they would not decide on the controversial river crossing in North Dakota until more data was provided.

Corporate Review

With a new President and CEO now in place, management has been carefully assessing and budgeting its alternatives for firstly preferred share redemptions and secondly capital expansion. With the balance sheet now strong (net debt of \$0), management and the Board of Directors are currently assessing these alternatives to determine what is in the best interests for all stakeholders. The Company has several internal "low hanging fruit" projects that are being assessed based on financial returns, priority, risk and forecasted common share value accretion. Capital allocation will be recommended based on these factors but also considering sources of capital, tolerance for debt capital in uncertain market conditions and return of capital to preferred shareholders. We anticipate being able to advise shareholders of the agreed upon path forward in the Q1 2025 shareholder report.

Again, we would also like to thank all our staff in Alberta and North Dakota for their significant efforts in keeping the business operating at a healthy 55% of available capacity. Thank you for your commitment and loyalty and for your assistance in achieving strong operating and financial results for the twelve months ended December 31, 2024.

We also appreciate the ongoing support of our shareholders and should you have any questions, please do not hesitate to contact the Corporation directly at 403-457-5456 extension #101 or cheitrich@whiteowl-services.com. We sincerely thank you for this support and confidence in the management and board of White Owl.

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

NON-GAAP MEASURES

The MDFR refers to terms commonly used in the industry including operating income (loss), net debt and EBITDA. Such terms do not have a standard meaning as prescribed by IFRS and, therefore, may not be comparable with the determination of similar measures of other entities. These measures are identified as non-GAAP measures and are used by Management to analyze operating performance and leverage. Operating income (loss) and EBITDA should not be considered as an alternative to, or more meaningful than, net income (loss) as determined in accordance with IFRS.

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

FORWARD-LOOKING INFORMATION

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

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

The forward-looking information relies on material assumptions and known and unknown risks and uncertainties, certainty of which are beyond the Company's control. Such risks and uncertainties include, without limitation, the impact of general economic conditions in the United States, Canada and globally; industry conditions; the Company's ability to increase its market share; volatility of commodity prices; delays resulting from an inability to obtain regulatory approvals; an inability to access sufficient capital from internal and external sources; changes in laws and regulations and changes in how they are interpreted and enforced; environmental risks; increased competition; and the lack of qualified personnel or management. Readers are

WHITE OWL ENERGY SERVICES INC.
MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q4 2024

cautioned that the foregoing list of factors and risks are not exhaustive. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the Forward-Looking Statements will transpire or occur. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described, there may be other factors and risks that cause actions, events or results not anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on the forward-looking information, as such information may not be appropriate for other purposes.

Visit our website at www.whiteowl-services.com

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
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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
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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)

<u>Consideration:</u>	
Cash	409
<u>Net assets and liabilities disposed:</u>	
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>	<u>(375)</u>

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.
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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.

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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
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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
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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.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
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Three and six months ended June 30, 2025 and 2024

(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.

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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.

(\$000's)	Three months ended June 30,		Six months ended June 30,	
	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

(\$000's)	Three months ended June 30,		Six months ended June 30,	
	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.

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)

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

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)

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.

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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

(\$000's)	Three months ended		Six months ended	
	June 30, 2025	2024	June 30, 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.

