August 28, 2018

REPORT TO OUR SHAREHOLDERS

We are pleased to provide you with the financial statements and management's discussion of financial results for the three months ended March 31, 2018 along with discussion on other important matters. These materials contain detailed financial information and a summary of each operating facility within White Owl's network for the stated periods.

FINANCIAL HIGHLIGHTS

	Three months ended March 31,		
($ 000's Canadian except for volumes)	**2018**	2017	% Change
North Dakota			
Volumes (barrels)			
Disposal volumes	**3,274,839**	2,755,655	19%
Recovered oil sales volumes	**12,845**	9,876	30%
Revenue			
Oilfield waste disposal	**2,174**	1,922	13%
Oil sales	**853**	512	67%
Total revenue	**3,027**	2,434	24%
Operating expenses	**(1,609)**	(1,689)	-4%
North Dakota operating income (1)	**1,418**	745	90%
Alberta			
Volumes (barrels)			
Disposal & 3rd party processing	**213,397**	-	
Oil and gas sales	**4,099**	-	
Revenue			
Disposal & 3rd party processing	**436**	-	
Oil and gas sales	**249**	-	
Total revenue	**685**	-	
Operating expenses	**586**	-	
Alberta operating income (1)	**99**	-	
Total combined revenue	**3,712**	2,434	53%
Total combined operating expense	**(2,195)**	(1,689)	30%
Total combined operating income (1)	**1,517**	745	104%
General and administrative	**(514)**	(463)	11%
EBITDA (1)	**1,003**	282	256%
Other income and expenses			
Depreciation and depletion	**(496)**	(349)	42%
Finance costs	**(375)**	(250)	50%
Share-based payments	**(34)**	(87)	-61%
Foreign exchange (losses) gains	**(33)**	4	-925%
Net income (loss)	**65**	(400)	116%

[(1)] Refer to "Non-GAAP Measures" in the Company's accompanying Management's Discussion of Financial Results for the three months ended March 31, 2018 for additional information.

During the first quarter of 2018, White Owl generated total revenue of $3,712,000 from our combined North Dakota and Alberta operations, representing a 53% increase over $2,434,000 in total revenue for Q1 2017. First quarter 2018 EBITDA increased five-fold to $1,003,000 compared to $205,000 generated in the same quarter the prior year. These improved results are attributable to increased operating income from all of our North Dakota facilities, including New Town, Watford, Ross and Tioga, plus the addition to the Alberta operations with the Clairmont facility in Q3 2017.

In North Dakota, the Company disposed of 3,274,839 barrels of fluids, or 36,387 barrels per day ("b/d") in North Dakota, which represents a 19% increase over the 2,775,655 barrels of fluids or 30,841 b/d disposed of during the same quarter in 2017. Approximately 92% of North Dakota volumes in the first quarter 2018 were comprised of produced water. The balance was flowback water associated with drilling operations, which contains more oil that can be separated and sold to generate incremental revenue. The sale of these recovered oil volumes during the first quarter of 2018 totalled 12,845 barrels, an increase of 30% over the comparable quarter in 2017. Our Q1 2018 operating margin for all of North Dakota improved considerably to 47% compared to 31% in Q1 2017.

In Alberta, disposal and third party processing volume totaled 213,397 barrels during the first quarter of 2018, while oil production was 4,099 barrels of oil.

The West Texas Intermediate ("WTI") benchmark oil price is a leading indicator of industry activity. WTI continued to strengthen in the first quarter of 2018, averaging US$62.91 per barrel ("bbl"), compared to US$51.62/bbl in Q1 2017, and increasing further to average US$67.88/bbl through Q2 2018. The rig count during the first quarter of 2018 averaged 57 rigs in North Dakota, an increase of 6% from an average of 54 rigs in Q4 2017. In Q2 2018, industry activity has further increased with the rig count in North Dakota averaging 62 rigs. With an overall production increase in the Bakken and an increase in the number of drilling rigs and well completions, we are experiencing some recovery in disposal fees but do not anticipate pricing levels returning to 2014 and 2015 levels in the near term.

OPERATING LOCATIONS (dollar amounts in USD except Clairmont):

New Town

New Town Facility (amounts in USD except volumes)				
		Q1 2018	Q1 2017	*Change*
Production Water	b/d	11,983	12,193	*-2%*
Flowback	b/d	1,353	557	*143%*
Total Fluids Disposed	b/d	13,336	12,750	*5%*
Oil Sales	b/qtr	4,314	5,268	*-18%*
Revenue				
Production Water		514,819	513,938	*0%*
Price for Production Water/bbl		$0.48	$0.47	*2%*
Flowback		91,402	41,237	*122%*
Price for Flowback/bbl		$0.75	$0.82	*-9%*
Recovered Oil		227,338	206,721	*10%*
Price for Oil/bbl		$52.69	$39.24	*34%*
Total Revenue		**833,558**	**761,896**	***9%***
Total Revenue/bbl		$0.69	$0.66	*5%*
Operating Expenses		**565,355**	**558,155**	***1%***
Operating Income		**268,203**	**203,741**	***32%***

New Town operating income improved by 32% in Q1 2018 to $268,203 compared to $203,741 in Q1 2017. During the first quarter of 2018, total fluids disposed were 13,336 b/d or 5% higher than the same period in 2017, with an increase in flowback volumes more than offsetting a small decrease in production water volumes disposed.

Flowback volumes increased by 143% in Q1 2018 compared to Q1 2017 mainly due to the completion of previously drilled and uncompleted wells by area producers. The increase in flowback volumes more than offset a 9% decrease in the price per barrel for flowback volumes caused by competitive pressures from adjacent disposal facilities and contributed to a 122% increase in flowback revenues to $91,402 in Q1 2018 from $41,237 in Q1 2017. Despite the increase in flowback volumes in Q1 2018, oil sales volumes decreased by 18% over Q1 2017 due to the additional oil separation that certain producers are achieving prior to shipping the fluid to White Owl. A 34% increase in oil prices more than offset the decrease in recovered oil sales volumes, and recovered oil revenues increased 10% to $227,338 in Q1 2018 compared to the same quarter in the prior year.

Total revenue per barrel increased by 5% to $0.69/bbl in Q1 2018 compared to $0.66/bbl in Q1 2017, and was slightly higher than the $0.68/bbl in Q4 2017. Stronger oil prices more than offset relatively flat pricing for production water and the lower flowback prices in Q1 2018 compared to Q1 2017. However, compared to Q4 2017, the price for flowback volumes has increased to $0.75/bbl from $0.73/bbl.

Total revenue increased by 9% to $833,558 in Q1 2018 compared to the same quarter in the prior year. Operating expenses were relatively flat increasing by 1% in Q1 2018 compared to Q1 2017.

Watford City

Watford Facility (amounts in USD except volumes)

		Q1 2018	Q1 2017	*Change*
Production Water	b/d	13,543	10,681	*27%*
Flowback	b/d	319	621	*-49%*
Total Fluids Disposed	b/d	13,862	11,302	*23%*
Oil Sales	b/qtr	2,284	1,867	*22%*
Revenue				
Production Water		571,519	493,319	*16%*
Price for Production Water/bbl		$0.47	$0.51	*-8%*
Flowback		40,828	82,826	*-51%*
Price for Flowback/bbl		$1.45	$1.48	*-2%*
Recovered Oil		120,090	73,104	*64%*
Price for Oil/bbl		$52.59	$39.16	*34%*
Total Revenue		**732,438**	**649,249**	***13%***
Total Revenue/bbl		$0.59	$0.64	*-8%*
Operating Expenses		**377,490**	**411,684**	***-8%***
Operating Income		**354,948**	**237,565**	***49%***

Watford operating income increased by 49% to $354,948 in Q1 2018 compared to $237,565 in Q1 2017. During the first quarter of 2018, total fluids disposed were 13,862 b/d, or 23% higher than the average for the comparable quarter in the prior year. Q1 2018 oil sales volumes increased by 22% over Q1 2017 despite flowback volumes being displaced by produced water volumes due to truckers not being able to wait to unload flowback loads.

Oil prices increased by 34% to average $52.59/bbl in Q1 2018 compared to Q1 2017. The price per barrel for production water decreased by 8% to $0.47/bbl in Q1 2018 due to the largest customer applying competitive pressure, while the price per barrel for flowback decreased 2% to $1.45/bbl.

The 27% increase in production water volumes more than offset the 8% price decrease to result in production water revenues increasing by 16% to $571,519 in Q1 2018 from $493,319 in Q1 2017. The volume decrease in flowback was directly related to wait times at the facility and resulted in a 51% decrease in flowback revenues to $40,828 in Q1 2018, while both volume and price increases resulted in recovered oil sales revenue increasing by

64% to $120,090 in Q1 2018 from $73,104 in Q1 2017. Q1 2018 operating expenses decreased by 8% from Q1 2017 primarily due to reduced repairs and maintenance costs.

Ross

Ross Facility (amounts in USD except volumes)				
		Q1 2018	Q1 2017	*Change*
Production Water	b/d	4,489	3,026	*48%*
Flowback	b/d	1,062	186	*472%*
Total Fluids Disposed	b/d	5,551	3,212	*73%*
Oil Sales	b/qtr	5,229	1,833	*185%*
Revenue				
Production Water		202,023	126,340	*60%*
Price for Production Water/bbl		$0.50	$0.46	*8%*
Flowback		95,994	16,954	*466%*
Price for Flowback/bbl		$1.00	$1.01	*-1%*
Recovered Oil		274,861	71,909	*282%*
Price for Oil/bbl		$52.57	$39.23	*34%*
Total Revenue		**572,878**	**215,203**	***166%***
Total Revenue/bbl.		$1.15	$0.74	*54%*
Operating Expenses		**218,758**	**201,815**	***8%***
Operating Income		**354,119**	**13,388**	***2545%***

Q1 2018 operating income increased significantly to $354,119 from $13,388 in Q1 2017. In Q1 2018, total fluids disposed increased significantly by 73% to 5,551 b/d compared to Q1 2017 while Q1 2018 oil sales volumes increased significantly by 185% over Q1 2017 due to higher flowback and production water volumes. The volume increases in Q1 2018 are attributable to drilling and completion activity expanding beyond the core area of the Bakken during the second half of 2017 and this trend remains in place today.

Oil prices at Ross increased by 34% to average $52.57/bbl in Q1 2018 compared to Q1 2017 while the price achieved for production water increased by 8% and the price per barrel for flowback remained flat at $1.00/bbl. The significantly increased volumes for both disposal fluids and oil combined with the higher oil prices resulted in a 166% increase in total revenue to $572,878 in Q1 2018 compared to $215,203 in Q1 2017. Volume increases accounted for the 8% increase in operating expenses in Q1 2018 compared to Q1 2017. We are pleased to report that operations to date in 2018 indicate an expected substantial improvement in the Ross facility's financial performance for the year ended 2018. As mentioned above, this is due to an increase in drilling activities in the Tier 2 areas of the Bakken play where higher oil prices have improved the economics of drilling in these fringe areas.

Tioga Salt Water Disposal ("SWD") Joint Venture ("JV")

Tioga (Volumes 100%; Dollar Amounts at 32% Working Interest in USD)				
		Q1 2018	Q1 2017	*Change*
Production Water-Trucked	b/d	7,162	8,339	*-14%*
Production Water-Piped	b/d	4,209	2,059	*104%*
Flowback	b/d	-2	780	*-100%*
Total Fluids Disposed	b/d	11,368	11,178	*2%*
Oil Sales	b/qtr	3,181	2,843	*12%*
Revenue				
Production Water-Trucked		103,074	108,074	*-5%*
Price for Production Water/bbl		$0.50	$0.45	*11%*
Production Water-Piped		90,909	44,476	*104%*
Price for Production Water/bbl		$0.75	$0.75	*0%*
Flowback		(66)	15,706	*-100%*
Price for Flowback/bbl		$1.00	$0.70	*43%*
Recovered Oil		53,039	35,413	*50%*
Price for Oil/bbl		$52.10	$38.93	*34%*
Overhead Fee Income		9,960	9,781	*2%*
Total Revenue		**256,916**	**213,450**	***20%***
Total Revenue/bbl		$0.78	$0.66	*18%*
Operating Expenses		**104,260**	**98,865**	***5%***
Operating Income		**152,656**	**114,586**	***33%***

White Owl has a 32% working interest in the Tioga SWD JV. The discussion below is based on total volumes for the facility while the financial information represents White Owl's 32% interest in the JV.

Q1 2018 operating income increased by 33% to $152,656 from $114,586 in the comparable quarter of 2017. Operations to date at Tioga show an increase in total fluid volumes disposed with the site now operating at close to capacity of 15,000 b/d.

During the first quarter of 2018, total fluids disposed increased by 2% compared to Q1 2017. A 104% increase in piped production water offset decreases in trucked production water and flowback volumes. Flowback volumes generated by the pipeline-connected producer are now being processed on site and shipped by pipeline to the facility which results in substantially lower volumes of trucked-in flowback being received at the White Owl plant. Oil sales volumes increased by 12% to 3,181 barrels from 2,843 barrels in Q1 2017.

Total revenue per barrel increased 18% to $0.78/bbl in the first quarter of 2018 compared to $0.66/bbl in Q1 2017. This increase is primarily due to 34% higher oil prices which averaged $52.10/bbl in Q1 2018 compared to $38.93/bbl in Q1 2017, as well as 43% higher flowback prices which averaged $1.00/bbl in Q1 2018 compared to

$0.70/bbl in first quarter 2017. The volume increases and higher pricing resulted in total revenue increasing by 20% to $256,916 in Q1 2018 from $213,450 in Q1 2017 for White Owl's 32% working interest while operating costs increased by 5% in Q1 2018 compared to Q1 2017.

Epping SWD JV

A 10-year initial term disposal agreement featuring automatic extensions has been executed by White Owl with a local producer at Epping in Williams County, North Dakota. This agreement will see the producer pipeline-connect its gathering system to the Epping location, thereby providing a long-term commitment to deliver water to Epping. White Owl concurrently executed a joint venture agreement with the White Owl Epping LLC, the terms of which stipulate that the Epping LLC and certain service providers will fund the development of a new US$4.5 million disposal facility in the area. As per the agreement, White Owl will receive a 20% carried interest through the development stage of the project, which includes the construction of the SWD and drilling of the injection well. All permits and landowner agreements are in place for the facility and the site is expected to be operational in Q4 2018.

Alberta ***-*** *Clairmont Processing and Disposal Plant****:***

In Q1 2018, Clairmont contributed operating income of C$99,000. Clairmont is a clean oil terminal and emulsion processing facility and also has producing oil and gas assets. Since the facility was acquired in September 2017, the Company has added additional commercial business lines for third party emulsion treating, dry-oil blending and terminalling, and third-party water disposal. Average oil production associated with the facility is approximately 40 b/d.

As indicated in the 2017 year end results, market conditions in the Grande Prairie area remain strong. Once the plant is expanded to allow for additional water disposal and oil blending capability, the facility is forecasted to contribute substantial operating income. The marketing activities of Trafigura Canada General Partnership, White Owl's marketing partner, have been somewhat restricted and will remain so until the planned expansion which will have an immediate impact on business levels, is completed. The expansion is subject to the availability of capital.

Our 2018 activities are focused on maximizing the existing processing and disposal capacity of the plant, enhancing White Owl's knowledge of the market and designing upgrades needed to increase the capacity for dry-oil blending, emulsion treating, and water disposal. We anticipate a small positive operating income from the Clairmont plant in 2018.

DEVELOPMENT LOCATIONS

Alexander: The Class 1 permit application process for the decommissioned Alexander facility is ongoing. The down-hole well work required by the regulator has been completed, as per the conditions on the draft Class 1 permit received in late 2017, and the onsite commissioning of the plant has started.

The facility is presently suspended and the cost to recommission the facility will be an estimated US$350,000 with this work expected to be completed by the end of the third quarter of 2018. The North Dakota Department of Health ("NDDoH") is the regulator for the plant and is expected to issue a final permit by the end of August

2018. Undertaking this conversion will differentiate White Owl from area competitors as there is limited competition for provision of this service, which commands premium pricing relative to the Class 2 SWD business.

The Alexander Class 1 facility will be the first commercial Class 1 disposal facility in North Dakota and we anticipate the plant will contribute significant operating income in 2019. The potential customer base includes a regional landfill, local refineries, mining operators, pipeline operators, and oil terminals.

Blue Buttes: A permit application has been filed with the North Dakota Industrial Commission for the Blue Buttes SWD and a permit was issued in July 2018. We have made a proposal to a local producer to deliver fluids to the location, initially by truck but eventually through a pipeline connection. The timing for development of this facility is subject to regulatory approvals, customer agreements, and the availability of financing.

Johnson's Corner: The disposal agreement for the Johnson's Corner SWD location expired and was not renewed by the landowner due to a competing need for the location by a local crude oil terminal operator. The land owner has offered the Company an alternate location which is as centrally situated as the original location. Discussions with the landowner continue.

Additional Disposal Wells: The New Town, Watford City, and Tioga facilities are currently operating at maximum disposal capacity, and as the need for disposal in these areas increases, a second disposal well may be required. Permitting for a second disposal well at New Town has been completed, a second disposal well at Watford City is in the permitting process and a second disposal well at Tioga is in the planning stages.

New Projects: Management is continuing to work on the development of new SWD projects with the current focus on establishing an anchor customer to pipeline-connect or commit volumes to any of the proposed new locations. The Company has also applied for a treating plant permit at its Tioga SWD and is actively pursuing a second treatment plant location. Management pursues treatment and disposal plant permits to provide an inventory of new projects which will provide shareholders with growth opportunities well into the future.

OUTLOOK

OPERATIONS AND MARKET CONDITIONS:

NORTH DAKOTA: Activity in the first half of 2018 has been focused on developing the Epping SWD for Hess which is scheduled to be completed in Q4 2018 as discussed above. As for market conditions in North Dakota, 66 drilling rigs were active in the state in July 2018, which is three rigs higher than the June 2018 average. An all-time low of 27 rigs was set in May 2016 which compares to 46 rigs operating a year ago. The improvement in the number of drilling rigs operating in the region is indicative of a rebound in activity and production. Activity in the area suggests that crude producers could add 7 to 10 more rigs to the fleet by year end.

The increase in Bakken production has resulted from a combination of increased drilling activity following strengthing crude oil prices, as well as completion of the Dakota Access Pipeline, a 1,100 mile-long pipeline commissioned in June 2017 that has nearly eliminated WTI differentials and supported stronger realized pricing. Since White Owl also sells recovered oil, this pipeline has had a significant impact on the Company's financial performance.

Although producers are afforded improved oil market access via pipeline, they also face near-term produced water handling capacity challenges which presents a major opportunity for White Owl going forward. Members of our management recently attended the Williston Basin Petroleum Conference ("WBPC") in Bismarck where Lynn Helms, director of the state Department of Mineral Resources, suggested that the Bakken in 2030 could approximate the current Eagle Ford Shale play which has 40,000 active wells. In his view, "North Dakota's black gold might be tarnished by water disposal limitations." Helms continued by stating, "The whole area of water production and disposal is industry's number one operating cost, so they need to be focused on that very heavily, and there hasn't been much focus. We haven't seen the kind of investment and technology development in that area that we have seen in drilling and stimulation."

At White Owl, this statement confirms our view that North Dakota remains an excellent market for our services and we continue to seek new SWD locations for development. Water recycling technology is currently not an option in North Dakota due to the high salt content of the produced water (more than 200,000 parts per million). Pipeline-connecting water production is a cost saving option for producers and as a result, White Owl's new facilities attempt to have a pipeline-connected anchor client, although this is not a pre-condition for a new development.

Alberta: Drilling activity, primarily in the Montney formation, remains robust in the Grande Prairie area. White Owl is unable to fully exploit this opportunity with the Clairmont plant until the required expansion is completed. The Montney is a "world class" resource play and is often compared to the Permian shale play in south Texas. It is currently being explored and developed for all hydrocarbons, including oil, NGLs and gas with output having more than doubled since 2012. By 2040, the National Energy Board projects the Montney development will make up more than half of the country's gas and condensate production. However, there are major challenges that threaten this development, including access to market, First Nations' land rights, public acceptance of pipelines and ongoing dialogue on how burning fossil fuels is contributing to climate change.

White Owl has a significant opportunity with the purchase of the Clairmont facility. We are working diligently on plans to fully develop the plant in order to take full advantage of the emerging opportunity to offer a broader range of water disposal and oil and condensate handling services to our clients.

CORPORATE AND FINANCIAL:

Since the release of our 2017 year end financial results and shareholder letter, several of our shareholders have enquired as to the reasons for hiring Davidson to undertake a strategic review. The shareholders wanted to know the rationale for hiring Davidson in an environment of much stronger market conditions and the resulting improvement in the Company's financial performance. The decision to engage Davidson was not taken lightly and was the subject of much discussion by the board and management.

Despite the fact that the Company is generating positive EBITDA and is effectively competing and growing in the North Dakota market, and has a tremendous opportunity to grow further in a robust environment, the Company's preferred share structure and the existing debt is proving to be an impediment to raising new capital to fund further growth. We have reached this conclusion after meetings with potential investors and feedback from a number of Investment Banks.

With respect to our existing indebtedness, we outlined in the Report To Our Shareholders dated August 2, 2018 that White Owl successfully negotiated amending agreements with ATB and with the vendor of the Clairmont property. In summary, an amended and restated credit agreement with ATB was executed on July 17, 2018. This requires the resumption of monthly blended principal and interest payments of US$185,256 commencing August 31, 2018, and a lump sum principal amount of US$1,000,000 payable January 31, 2019. Thereafter the monthly payments will be adjusted to reflect the original amortization period. In addition, and arising from the Clairmont transaction, the Company has an upcoming payment of $1,000,000 due on November 18, 2018.

Based on the foregoing and the objective of some of the preferred shareholders to be paid out, the board concluded that a broad and independent market assessment of the Company and its assets may provide opportunities to restructure or refinance the company in a manner that improves both the balance sheet and capital structure of the Company in a way that serves the best interests of all the shareholders.

In August 2018, Davidson submitted a Confidential Information Memorandum to numerous parties across North America to solicit interest in purchasing any or all of the Company's assets or making an investment in White Owl that would meet the needs of the Company as set forth above. We will keep you well informed on the Davidson process and we expect to have further information sometime in September.

CLOSING REMARKS:

Our core business in North Dakota is healthy and growing; our percentage of pipeline-connected water is increasing; and early indications are very positive around our strategic shift into the Montney in Alberta. While there is still much work to be done, the Davidson process has us focused on improving the balance sheet and capital structure of the Company. A better capitalized Company will be in a stronger position to pursue strategic initiatives that can build on our current momentum. We are committed to setting the stage for predictable, prolonged growth while maximizing returns for our shareholders.

If you have any questions, please do not hesitate to contact me directly at 403-457-5456 extension #101 or pinnello@whiteowl-services.com. We sincerely thank you for your support and confidence in the management and board of White Owl.

Sincerely,

On behalf of the Board of Directors,
Owen Pinnell, P.Eng.
President and CEO