MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS

For the three and six-month periods ended June 30, 2018

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") as at and for the three and six-month periods ended June 30, 2018. 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 September 18, 2018 and should be read in conjunction with White Owl's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018 and the audited consolidated financial statements for the years ended December 31, 2017 and 2016. The financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts are stated in Canadian dollars unless otherwise noted.

CORPORATE OVERVIEW

White Owl is an oilfield service company that owns and operates midstream facilities in North Dakota and Alberta. In North Dakota the Company is involved in the collection, processing and disposal of third party oilfield waste. In Alberta, White Owl operates a recently acquired, pipeline-connected terminalling, treating, blending and water disposal facility. The Company, through its expanding network of midstream facilities is providing services to some of the largest independent oil and gas operators on the continent. The Company is currently constructing a Class 1 disposal facility (100% working interest) and a Class 2 disposal facility (20% carried interest), both of which are expected to be commissioned in Q4 2018.

Strong customer relationships combined with identified expansion and greenfield projects provide White Owl opportunities to continue the expansion of its midstream business in North Dakota and Alberta.

Operational Philosophy

Within its markets, the Company differentiates itself by:

- Operating with the highest levels of responsible environmental, health and safety stewardship;
- Providing a high level of customer service including a focus on expedited truck unload times;
- The operation, design and construction of facilities that provide efficient and safe separation of fluids;
- Acquiring and integrating strategically located Salt Water Disposal ("SWD") plants into its expanding network; and,
- Vertically integrating into complementary, value-add, and higher margin services.

Key Business Components

Water disposal

In North Dakota, the Company operates four disposal facilities which accept produced water and flowback from producers for disposal through Company-operated Class 2 SWD facilities. Additional revenue is generated through the sale of crude oil recovered through the water disposal process. White Owl's operating disposal facilities in North Dakota are located at New Town, Watford, Ross and Tioga. Currently the Company is expanding its North Dakota network of midstream facilities through the construction of a SWD facility at Epping and the conversion of a suspended Class 2 facility at Alexander into a Class 1 disposal facility. Further expansion opportunities include the development of a facility at Blue Buttes where the Company has received a permit to drill an injection well. Development at Blue Buttes is conditional on the Company securing necessary financing on acceptable terms.

Processing services

During August of 2017, White Owl acquired an oil processing facility near Clairmont in the Grand Prairie area of central Alberta. The facility is connected to the Pembina Pipeline Corporation Peace Pipeline for marketing oil volumes and is being reconfigured into a third-party crude oil emulsion treating, terminalling, blending and water disposal facility. The facility is located within the heart of the Montney resource play in Alberta where producers have been most active. The Company plans to expand capacity at the facility to process and ship to pipeline up to 15,000 cubic meters (m3) per month of dry and emulsion oil. In addition, planned upgrades to the water disposal system will increase the capacity for third-party water disposal. The plant expansion and upgrades are planned for 2019 and are subject to financing.

The Clairmont acquisition also included certain petroleum and natural gas properties including a number of producing oil wells. The Company views these properties to be incidental to the facility acquisition and is currently exploring various alternatives to maximize value for the properties, including optimizing current production, farm-out or sale of the properties.

OPERATIONAL AND FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2018, EBITDA increased by 50% to $1,754,000 from $1,173,000 in the comparable 2017 period as strengthening oil prices in 2018 resulted in higher industry activity levels. In Q2 2018, EBITDA decreased by 16% to $751,000 from $891,000 in Q2 2017 due to one-time well workover costs in Alberta and higher general and administrative costs.

Financial and operating results

	Three months ended June 30			**Six months ended June 30**		
($000's, unless otherwise noted)	**2018**	2017	%	**2018**	2017	%
North Dakota operations						
Disposal volumes, Bbls	**3,588,324**	3,042,068	18%	**6,863,163**	5,817,760	18%
Oil sale volumes, Bbls	**11,727**	12,541	-6%	**24,571**	22,419	10%
Disposal revenue ($ per Bbl)	**$0.68**	$0.71	-4%	**$0.67**	$0.70	-4%
Oil sales revenue ($ per Bbl)	**$72.38**	$51.16	41%	**$69.29**	$51.46	35%
Operating costs and royalties ($ per Bbl)	**$0.47**	$0.49	-4%	**$0.48**	$0.55	-13%
North Dakota disposal and services revenue						
Disposal revenue	**2,453**	2,164	13%	**4,627**	4,086	13%
Oil sales revenue	**849**	642	32%	**1,702**	1,154	47%
Oilfield disposal and processing services revenue	**3,302**	2,806	18%	**6,329**	5,240	21%
Operating costs	**(1,704)**	(1,499)	14%	**(3,313)**	(3,188)	4%
Operating income – North Dakota [1]	**1,598**	**1,307**	**22%**	**3,016**	**2,052**	**46%**
Alberta Operations						
Oilfield disposal and processing services	**349**	-		**785**	-	
Oil and gas revenue	**318**	-		**567**	-	
Total revenue	**667**	-		**1,352**	-	
Operating costs	**(877)**	-		**(1,463)**	-	
Operating income (loss) - Alberta [1]	**(210)**	**-**		**(111)**	**-**	

Financial and operating results (cont.)

Combined operations						
Oilfield disposal and other services revenue	**3,651**	2,806	30%	**7,114**	5,240	36%
Oil and gas revenue	**318**	-		**567**	-	
Combined revenue	**3,969**	2,806	41%	**7,681**	5,240	47%
Operating costs	**(2,581)**	(1,499)	72%	**(4,776)**	(3,188)	50%
Combined operating income	**1,388**	1,307	6%	**2,905**	2,052	42%
General and administrative expenses (“G&A”)	**(637)**	(416)	53%	**(1,151)**	(879)	31%
EBITDA (1)	**751**	891	-16%	**1,754**	1,173	50%
Other income and expenses						
Depletion & depreciation	**(540)**	(371)	46%	**(1,036)**	(720)	44%
Impairment	**-**	(1,076)		**-**	(1,076)	
Finance (costs) income	**(399)**	(273)	46%	**(774)**	(523)	48%
Share-based payments	**(34)**	(93)	-63%	**(68)**	(180)	-62%
Foreign exchange (losses) gains	**(147)**	42	-450%	**(180)**	46	-491%
Gain on settlement of promissory note	**258**	-		**258**	-	
Loss on disposal of fixed assets	**(92)**	-		**(92)**		
Loss on abandonment	**(2)**	(69)	-97%	**(2)**	(69)	-97%
Net income (loss)	**(205)**	(949)	-78%	**(140)**	(1,349)	-26%

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

North Dakota

In Q2 2018, North Dakota operating income increased by 22% to $1,598,000 from $1,307,000 in Q2 2017, while for the six months ended June 30, 2018, North Dakota operating income increased by 46% to $3,016,000 from $2,052,000 in the 2017 comparable period. The improved operating and financial performance is attributable to strengthening oil prices and the resulting higher industry activity levels. Please see “Revenue and operating income by facility” on page 4 of this MDFR.

Water disposal volumes for the three and six months ended June 30, 2018 increased 18% over the comparable periods in 2017. Disposal revenues increased by 13% for both the three and six months ended June 30, 2018 as the impact of the 18% increase in volumes was partially offset by a 4% decrease in realized 2018 disposal prices from those realized in 2017. Lower 2018 realized prices per barrel for water disposal reflect increased competition in the area and are expected to improve with increased activity and demand.

In Q2 2018, oil sales revenues increased by 32% to $849,000 as a 41% increase in the oil price more than offset a 6% decrease in oil sales volumes. The decrease in oil sales volumes in Q2 2018 relative to Q2 2017 is mostly due to lower flowback volumes at Tioga and Watford. At Tioga, plant capacity was filled with pipelined and trucked disposal water in Q2 2018 to meet customer commitments resulting in the diversion of flowback volumes to other facilities, while the area around Watford had reduced flowback volumes available for disposal. For the six months ended June 30, 2018, oil sales revenues increased by 47% to $1,702,000 compared to $1,154,000 in the prior year comparable period. The 47% increase in the year to date oil revenues is due to a 10% increase in volumes and a 35% increase in the realized oil price per barrel.

In the three and six months ended June 30, 2018, operating costs increased by 14% and 4% respectively compared to the 2017 comparable periods and is attributable to the increase in volumes processed by the facilities. On a per barrel basis, 2018 operating costs decreased 4% and 13%, respectively in the three and six months ended June 30, 2018 largely due to the effect of the increased volumes on the fixed cost component of operating costs.

Alberta

Total revenue from operations at Clairmont during the three months ended June 30, 2018 remained relatively flat at $667,000 compared to $685,000 in Q1 2018 (there is no comparative for Q2 2017 as the Company acquired Clairmont in Q3 2017). Revenue from oilfield disposal and processing services decreased by 20% to $349,000 in Q2 2018 from $439,000 in the prior quarter mainly due to the impact of seasonal road bans in the area. This decrease was offset by a 28% increase in oil and gas sales revenue to $318,000 in Q2 2018 from $249,000 in Q1 2018. In Q2 2018, operating expenses increased to $877,000 from $586,000 in Q1 2018 due in large part to a one-time cost of $183,000 associated with a major well recompletion and pump replacement undertaken to bring a well back into production. As a result, Q2 2018 operations for Clairmont resulted in an operating loss of ($210,000) compared to operating income of $99,000 in Q1 2018. Until such time as the planned reconfiguration, upgrade and expansion program of the facility is complete, Clairmont operations are not expected to result in a significant contribution to the Company's operating income. The expansion plan is currently scheduled for the first quarter of 2019 if appropriate financing is available.

Revenue and operating income by facility

	Three months ended June 30			Six months ended June 30,		
($000's)	**2018**	2017		**2018**	2017	
Oilfield waste disposal and oil sales						
New Town	**1,399**	1,236	13%	**2,454**	2,244	9%
Watford	**903**	1,014	-11%	**1,829**	1,874	-2%
Ross	**595**	261	128%	**1,316**	545	141%
Tioga JV	**405**	295	37%	**731**	577	27%
Clairmont	**349**	-		**784**	-	
	3,651	2,806	30%	**7,114**	5,240	36%
Oil and gas revenue	**318**	-		**567**	-	
Total revenue	**3,969**	2,806	41%	**7,681**	5,240	47%
Operating income						
New Town	**624**	555	12%	**960**	825	16%
Watford	**403**	541	-26%	**852**	857	-1%
Ross	**325**	31	948%	**771**	48	1506%
Alexander	**(11)**	(8)	38%	**(18)**	(17)	6%
Tioga JV	**257**	188	37%	**451**	339	33%
Clairmont	**(210)**	-		**(111)**	-	
Total operating income	**1,388**	1,307	6%	**2,905**	2,052	42%

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

The Canadian dollar strengthened against the US dollar during the first half of 2018 as compared to the first half of 2017. As a result, first half 2018 total operating income is approximately $132,000 or 4% less than it would have been if the Company had used the average first half 2017 exchange rates to convert US operations to Canadian dollars.

New Town

New Town operating income for the three and six months ended June 30, 2018 increased by 12% and 16%, respectively over the comparable periods in 2017. In Q2 2018, the increased operating revenue was mostly attributable to higher production water disposal volumes and related pricing, while in the case of flowback and oil sales higher pricing offset lower volumes. For the six months ended June 30, 2018, higher production water and flowback volumes as well as higher related pricing contributed to the increased operating revenue in the period compared to the same period in the prior year.

Watford

In Q2 2018, Watford operating income decreased by 26% over the prior year comparable quarter as plant capacity was predominantly filled with lower priced production water due to customer commitments, which replaced higher priced flowback volumes. Flowback pricing also decreased in the current quarter due to competitive pressures. For the six months ended June 30, 2018, Watford operating income totaled $852,000 compared to $857,000 for the prior year comparable period. For the six months ended June 30, 2018, water disposal volumes increased 15% over 2017 volumes, however, this increase was more than offset by a 60% decrease in 2018 flowback volumes from 2017 levels. Oil sales volumes in 2018 were very similar to 2017 sales volumes however stronger realized oil prices in 2018 resulted in a 40% increase in oil sales revenue.

Ross

Q2 2018 operating income at Ross increased ten-fold to $325,000 compared to Q2 2017 and increased sixteen-fold to $771,000 for the six months ended June 30, 2018 compared to the 2017 comparable period. Increased activity in the area led to significantly higher water disposal, flowback and recovered oil volumes during the three and six months ended June 30, 2018. Industry activity at Ross which began to accelerate in the third quarter of 2017 and continued into the first quarter of 2018 softened during the second quarter of 2018, and is forecast to remain flat for the balance of the year.

Tioga

Tioga operating income for the three and six months ended June 30, 2018 increased by 37% to $257,000 and 33% to $451,000, respectively compared to the comparable periods in 2017. During the second quarter of 2018, total fluids disposed increased by 66% compared to Q2 2017. Due to customer commitments, trucked and pipelined production water filled the plant's capacity in the current quarter and as a result, Tioga was unable to accept flowback volumes which led to lower oil sales volumes. However, the significant increase in production water volumes more than offset the impact of the lower flowback and oil sales volumes. Accordingly, total revenue at Tioga increased 37% to $405,000 in Q2 2018 from $295,000 in Q2 2017 and increased 27% to $731,000 for the six months ended June 30, 2018 compared to the prior year comparable period.

Alexander

At Alexander, the Company is converting a suspended Class 2 facility into a Class 1 facility. Class 1 facilities are permitted to receive non-hazardous industrial water as opposed to non-hazardous oilfield water received at Class 2 facilities. A variety of industries produce non-hazardous waste water which must be disposed of through a Class 1 facility and currently there are no commercial Class 1 facilities in North Dakota. The North Dakota Department of Health ("NDDoH") is the regulator for the plant and has issued a final permit to allow commencement of operation in the fourth quarter of 2018, subject to implementing the NDDoH conditions. Undertaking this conversion will differentiate White Owl from competitors in the area as there is limited competition for provision of this service, which commands premium pricing relative to the Class 2 SWD business. The cost of the conversion, to be funded from cash flow, is estimated to be approximately US$350,000.

Epping

In May 2018, the Company commenced construction of a SWD facility at Epping in Williams County, North Dakota and subsequent to June 30, 2018, entered into a joint venture arrangement whereby White Owl will operate and hold a 20% carried interest in the facility (see the SUBSEQUENT EVENTS section of this MDFR). The construction cost is estimated at US$4.5 million, is on budget and expected to be commissioned in Q4 2018. With the carried interest, the Company does not incur any capital cost. However, the Company has an option to increase its participation in Epping to 32.5% subject to the availability of financing.

G&A expenses

($000's)	Three months ended June 30 **2018**	2017	Six months ended June 30 **2018**	2017
Salaries and management	**327**	241	**608**	481
Professional fees	**143**	80	**224**	145
Travel and related expenses	**49**	41	**96**	82
General office expenses	**105**	50	**194**	99
Third party consulting fees	**13**	4	**29**	72
	637	416	**1,151**	879

In Q2 2018, general and administrative expenses totalled $637,000, or 16% of total combined revenue, compared to $416,000, or 15% of total combined revenue in Q2 2017. For the six months ended June 30, 2018, general and administrative expenses totalled $1,151,000, or 15% of total combined revenue, compared to $879,000, or 17% of total combined revenue in the six months ended June 30, 2017. The increase in salaries and management expenses is due to additional staffing related to the purchase of Clairmont in Q3 2017 and the addition of the Epping facility in North Dakota in 2018. The increase in professional fees is attributable to the Company's ongoing restructuring initiatives as discussed in the Outlook section of the MDFR. The increase in general office expenses is mainly due to the implementation of new accounting software and an expansion of the office lease required by the increase in corporate activity.

Depreciation, depletion

Depreciation and depletion for the three and six months ended June 30, 2018 totaled $540,000 and $1,036,000 respectively compared to $371,000 and $720,000 for the comparable periods in 2017. The increase results primarily from depletion and depreciation recorded related to the Clairmont property which was acquired by the Company in Q3 2017.

Finance costs

($000's)	Three months ended June 30 **2018**	2017	Six months ended June 30 **2018**	2017
Interest on term loan	**258**	242	**499**	470
Interest on promissory notes and mortgage payable	**12**	3	**28**	6
Accretion of promissory notes	**80**	-	**166**	-
Accretion of asset retirement obligations	**31**	8	**60**	16
Interest, bank charges and other	**18**	20	**21**	31
	399	273	**774**	523

Foreign exchange losses, gains

The Company recorded a foreign exchange loss of $147,000 and $180,000, respectively for the three months and six months ended June 30, 2018. The gains and losses reflect the impact of changes in exchange rates on US dollar cash balances and short-term intercompany loans. The average exchange rates for the three and six months ended June 30, 2018 were 1.27 USD/CDN and 1.28 USD/CDN, respectively, as compared to 1.34 USD/CDN and 1.33 USD/CDN for the comparable periods in 2017.

Share-based payments

During the three and six months ended June 30, 2018, the Company recorded share-based payments of $34,000 and $68,000 respectively, compared to $93,000 and $180,000 for the same periods in 2017. Share-based payments relate to the amortization of costs of stock options issued to management, employees and directors of the Company.

SUMMARY OF QUARTERLY RESULTS

	2018		2017				2016	
($000's)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	3,969	3,712	3,818	3,202	2,806	2,434	2,594	2,436
EBITDA [(1)]	751	1,003	845	1,010	891	282	210	683
Net Income (loss)	(205)	65	(984)	132	(949)	(400)	(867)	(620)

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

Net losses for the fourth and second quarters of 2017 reflect impairment expenses of $744,000 and $1,076,000, respectively, relating to specific properties, recognized during the quarters.

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 program through a combination of cash provided by operations, equity, bank debt and promissory notes. The Company's objective in the management of its capital resources is to secure adequate sources of capital to fund capital investments, while ensuring that sufficient operating cash flow is available to sustain and grow the operating business.

At June 30, 2018, the Company had negative working capital of $13,237,000 (December 31, 2017 - $14,207,000), and an accumulated deficit of $15,323,000 (December 31, 2017 - $15,183,000). In addition, the Company was in default under its senior lender General Services Agreement ("GSA"). These factors indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and realize the carrying value of its assets and discharge its liabilities when due is dependent on achieving future profitable operations and remediating the senior lender GSA default (see Subsequent Events section for remediation of senior lender default). There is no certainty that the Company will achieve profitable operations in the future due to factors such as commodity prices, industry activity levels in the regions in which the Company operates, competition, successful access to capital for acquisition and development opportunities and successful implementation of management's plans.

The consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities, and reported revenues and expenses, that might be necessary should the Company be unable to continue as a going concern, and therefore, be required to realize its assets and discharge its liabilities other than in the normal course of business and at carrying amounts different from those reflected in the accompanying consolidated financial statements. Any such adjustments could be material.

Investing activities

	Three months ended June 30		**Six months ended June 30**	
($000's)	**2018**	2017	**2018**	2017
Capital expenditures	**514**	**259**	**804**	1,001

Capital expenditures, during the second quarter of 2018 primarily relate to the installation of a vapor recovery unit at Clairmont, the conversion of the Alexander Class 2 well to a Class 1 well, and permitting costs for a second well at Watford.

Financing activities

Share Capital

Shares issued and outstanding (000's)	**Common shares**	**Amount ($000)**	**Preferred shares**	**Amount ($000)**	**Total**	**Amount ($000)**
Balance, December 31, 2017	41,504	18,340	26,469	12,353	67,973	30,693
Shares issued	**6,735**	**1,247**	**-**	**-**	**6,735**	**1,247**
Cancellation of shares	**(256)**	**(128)**	**-**	**-**	**(256)**	**(128)**
Share issue costs		**(67)**		**-**		**(67)**
Balance, June 30, 2018	**47,983**	**19,392**	**26,469**	**12,353**	**74,452**	**31,745**

As at June 30, 2018, there were 4,000,000 (December 31, 2017 – 4,000,000) common shares held in escrow.

During the six months ended June 30, 2018, the Company issued 6,735,00 common shares, 2,000,000 at price of $0.15 per common share and 4,735,000 common shares at a price of $0.20 per share for total proceeds of $1,247,000 before share issue costs of $32,300. Additionally, the Company issued 208,950 broker warrants which entitle the holder to acquire one common share per warrant held at a price of $0.20 per share. The warrants expire on February 22, 2019. In June 2018, an officer of the Company surrendered 256,000 White Owl common shares to pay $128,000 of promissory notes receivable.

Share Options

There were 4,169,000 share options outstanding as of June 30, 2018, with a weighted average exercise price of $0.42 per share. During the three months ended March 31, 2018, the Company cancelled 70,000 share options having a weighted average exercise price of $0.62 per share.

Term Loan and Operating Loan

The term loan is a non-revolving, reducing demand facility bearing interest at an annual rate of US prime plus 1.75%. No principal payments have been made during 2018, as required principal payments were waived by the lender, Alberta Treasury Branches ("ATB"). Effective July 17, 2018, the Company signed an amended and restated credit agreement with ATB. Please see SUBSEQUENT EVENTS section of this MDFR.

To partially fund the Clairmont facility acquisition, White Owl issued a $2,700,000 Vendor Note giving the vendor a first charge on the Clairmont assets. As a result, the Clairmont assets could not be included in ATB's GSA which provides ATB with security over the balance of White Owl's assets. White Owl used the working capital and operating lines of its parent, White Owl, to close the transaction which resulted in a default under the terms of the GSA. Pursuant to a subordination agreement ("Subordination Agreement") dated effective June 21, 2018 between White Owl and the vendor, the Vendor Note was reduced to $2,200,000. Under the terms of the Subordination Agreement, White Owl paid $1,200,000 of the Vendor Note on July 18, 2018 which has placed ATB in first position in relation to the Clairmont facility and which has remedied the default.

In addition, effective July 17, 2018, White Owl entered into an amended and restated credit agreement with ATB ("Commitment Letter"), further details of which are provided in the SUBSEQUENT EVENTS section.

The Company also has a US$1,000,000 operating loan facility which is reduced by outstanding letters of credit of $53,862 (December 31, 2017 - $53,862) and credit card balances of $17,518 (December 31, 2017 - $11,009). The Company had drawn $66,000 (US$50,000) on the operating line at June 30, 2018 (December 31, 2017 – $658,613 (US$525,000)).

SUBSEQUENT EVENTS

Subsequent to June 30, 2018 the Company entered into the following transactions:

On July 12, 2018, the Company entered into a joint venture arrangement with White Owl Epping LLC ("Epping LLC") for the construction and operation of a SWD facility at Epping in the state of North Dakota. Epping LLC is an independent entity formed pursuant to the laws of North Dakota. Epping LLC together with certain service providers, will fund the development of the project. The Company will operate and hold a 20% carried interest in the facility. In addition to the

Company's ownership interest, 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. Construction of the facility commenced during the second quarter of 2018 and became fully operational on September 17, 2018.

Effective July 17, 2018 the Company signed an amended and restated credit agreement with ATB ("Commitment Letter") which amends and restates in its entirety the previous credit agreement between the Company and ATB. Under the terms of the Commitment Letter, the Company will have a non-revolving reducing loan facility (the "Term Loan") in the amount of US$11,381,402 (CA$14,987,030) and a revolving, operating demand loan facility (the "Operating Loan") in the amount of US$1,000,000, secured by a security interest over all present and future property and a floating charge on all lands. The Term Loan is payable on demand and bears interest at an annual rate of US prime plus 1.75%. Until demand, the Term Loan is repayable: (i) in blended equal monthly payments of principal and interest of US$185,256 with the first payment made on August 31, 2018 and the final payment due on December 31, 2024, and; (ii) a lump sum principal payment on January 31, 2019 of US$1,000,000, after which monthly payments will be reduced to maintain the original amortization period. The Operating Loan is a revolving demand facility in the maximum amount of US$1,000,000 bearing interest at the US prime rate plus 1.75%. The Company is required to maintain a minimum debt service coverage ratio of 1.25 to 1.0 and, a working capital ratio of 1.4 to 1.0 as at September 30, 2018 increasing to 1.5 to 1.0 as at March 31, 2019.

OUTLOOK

Crude oil prices strengthened throughout 2017 and to date this trend has continued into 2018. This improved price environment has generated increased producer activity and demand for disposal services in North Dakota. These factors together with improving plant efficiencies have resulted in higher margins at all locations which are expected to continue throughout 2018. To further capitalize on this strengthening market, the Company has commenced construction of the SWD facility at Epping and the conversion of a suspended Class 2 facility into a Class 1 facility at Alexander. This facility is expected to commence operations in October 2018.

In Canada, the 2017 acquisition of the oil pipeline-connected Clairmont plant in the heart of the Alberta Montney shale play, presents the Company with exposure to a second shale basin. This is a significant acquisition that affords White Owl an opportunity to satisfy the need for processing and disposal services within an area where there is growing demand. Customer response to the addition of a new facility in the area has been positive although the plant's commercial processing and disposal capacity is currently limited. Minor plant improvements directed at increasing capacity are ongoing and a larger $1.1 million reconfiguration, upgrade and expansion program is planned for the first quarter of 2019 if funding is available. This larger expansion, which is subject to the availability of funding, includes adding water disposal capacity and further plant modifications to increase the fluid handling and third party treating and terminalling capability.

On June 13, 2018, the Company engaged D.A. Davidson & Co. to provide investment banking and financial advisory services to the Company. 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. The Company intends to keep shareholders well informed on the Davidson process and expects to have further information in Q3 2018. With Davidson's assistance and the Company's ongoing business development initiatives, White Owl is increasingly confident that it will be able to realize on its opportunities to the satisfaction of all shareholders.

NON-GAAP MEASURES

The MDFR makes reference to terms commonly used in the industry including operating income, EBITDA and cash provided by operations. 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. The Company's method of determining non-GAAP measures is disclosed where the measure is first used within the MDFR. Operating income, EBITDA and cash provided by operations should not be considered as an alternative to, or more meaningful than net income (Loss) or cash flow from operating activities as determined in accordance with IFRS.

FORWARD-LOOKING INFORMATION

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

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

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