

November 30, 2018

REPORT TO OUR SHAREHOLDERS

We are pleased to provide you with the Condensed Consolidated Interim Financial Statements and Management's Discussion of Financial Results for the three and nine months ended September 30, 2018 along with this Report to Our Shareholders, which includes discussion on other important matters. Collectively, these materials contain detailed financial information and a summary of each operating facility within White Owl's network for the stated periods.

FINANCIAL HIGHLIGHTS

(\$ 000's Canadian, except for volumes)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
North Dakota						
Volumes (barrels)						
Disposal volumes	3,601,961	3,482,117	3%	10,465,104	9,299,840	13%
Recovered oil sales volumes	9,977	15,126	-34%	34,545	37,546	-8%
Revenue						
Oilfield waste disposal	2,823	2,129	33%	7,426	6,189	20%
Oil sales	776	911	-15%	2,478	2,065	20%
	3,599	3,040	18%	9,904	8,254	20%
Other income	249	12	1975%	274	38	621%
Total revenue	3,848	3,052	26%	10,178	8,292	23%
Operating expenses	(1,793)	(1,436)	25%	(5,107)	(4,624)	10%
North Dakota operating income⁽¹⁾	2,055	1,616	27%	5,071	3,668	38%
Alberta⁽²⁾						
Volumes (barrels)						
Disposal & third-party processing	195,895	41,634	371%	582,109	41,634 ⁽²⁾	1,298%
Oil and gas volumes	4,715	1,590	197%	13,394	1,590	742%
Revenue						
Disposal & third-party processing	341	74	361%	1,124	74	1,419%
Oil and gas sales	327	76	330%	895	76	1,078%
Total revenue	668	150	345%	2,019	150	1,246%
Operating expenses	(664)	(181)	267%	(2,126)	(181)	1,075%
Alberta operating income (loss)⁽¹⁾	4	(31)	-113%	(107)	(31)	245%

⁽¹⁾ Refer to "Non-GAAP Measures" in the Company's accompanying Management's Discussion of Financial Results for the three and nine months ended September 30, 2018 for additional information.

⁽²⁾ The comparative volumes, revenues and expenses for the three and nine months ended September 30, 2017 are from the date of acquisition of the Clairmont Alberta oil and gas assets and disposal and third-party processing facility in August 2017.

FINANCIAL HIGHLIGHTS (Continued)

(\$ 000's Canadian)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Total combined revenue	4,516	3,202	41%	12,197	8,442	44%
Total combined operating expense	(2,457)	(1,617)	52%	(7,233)	(4,805)	51%
Total combined operating income ⁽¹⁾	2,059	1,585	30%	4,964	3,637	36%
General and administrative	(574)	(575)	-%	(1,725)	(1,454)	19%
EBITDA ⁽¹⁾	1,485	1,010	47%	3,239	2,183	48%
Other income and expenses						
Depreciation and depletion	(558)	(536)	4%	(1,594)	(1,256)	27%
Impairment	-	-		-	(1,076)	
Finance costs	(356)	(322)	11%	(1,130)	(845)	34%
Share-based payments	(37)	(76)	-51%	(105)	(256)	-59%
Foreign exchange (losses) gains	30	58	-48%	(150)	104	-224%
(Loss) on settlement of promissory notes	(400)	-		(142)	-	
Loss on disposal of equipment and abandonment costs	(82)	(2)		(176)	(71)	148%
Net income (loss)	82	132	267%	(58)	(1,217)	-128%

⁽³⁾ Refer to "Non-GAAP Measures" in the Company's accompanying Management's Discussion of Financial Results for the three and nine months ended September 30, 2018 for additional information.

One of the key indicators of industry activity is rig count, which has steadily increased in North Dakota through 2018 to average 57 rigs in Q1 2018, 62 rigs in Q2 2018 and 64 rigs in Q3 2018. In response to the stronger West Texas Intermediate (WTI) benchmark price in 2018, we have seen an overall increase in both production in the Bakken as well as the number of drilling rigs and well completions. As a result of this elevated activity, we have introduced pricing increases for North Dakota disposal fees effective November 2018.

In Q3 2018, earnings before interest, taxes depreciation and amortization ("EBITDA") from White Owl's combined North Dakota and Alberta operations increased 47% to \$1,485,000 from \$1,010,000 in Q3 2017. During Q3 2018, the Company generated total revenue of \$4,516,000, representing a 41% increase over \$3,202,000 in total revenue for Q3 2017. In Q3 2018, combined operating income increased 30% to \$2,059,000 compared to \$1,585,000 in Q3 2017.

For the nine months ended September 30, 2018, EBITDA from White Owl's combined North Dakota and Alberta operations increased 48% to \$3,239,000 from \$2,183,000 for the same period in 2017. For the nine months ended September 30, 2018, combined revenue and operating income increased 44% and 37% to \$12,197,000 and \$4,964,000, respectively, from \$8,442,000 and \$3,637,000, respectively, in the prior year comparable period. These improved results are attributable to increased operating income from New Town and Tioga and, in particular the Ross facility where operating income increased ten-fold year over year. Watford City operating income for the year to date remained flat compared to the same period in 2017.



North Dakota

North Dakota operating income increased 27% to \$2,055,000 in Q3 2018 from \$1,616,000 in Q3 2017, while operating income increased 38% to \$5,071,000 for the nine months ended September 30, 2018 compared to \$3,668,000 in the 2017 comparable period. The third-quarter operating margin for North Dakota operations was 53%, unchanged from Q3 2017, while year-to-date, the operating margin increased to 50% from 44% in the comparable period in 2017. The Company disposed of 3,601,961 barrels ("bbls") of fluids in North Dakota, or 39,152 bbls per day ("b/d") in Q3 2018, a 3% increase over the 3,482,117 bbls of fluids, or 37,849 b/d, disposed of during the same quarter in 2017. Approximately 87% of North Dakota volumes in Q3 2018 were comprised of produced water. The balance was flowback water associated with drilling operations, which contains incremental oil that can be separated and sold to generate additional revenue. The sale of these recovered oil volumes during the third quarter of 2018 totalled 9,977 bbls, a 34% decrease from the comparable quarter in 2017 primarily due to lower flowback volumes and lower amounts of incremental oil in the flowback. The lower flowback volumes are due to lower customer drilling activity around New Town and due to production water volumes consuming a greater portion of facility capacity at Tioga and Watford City. In addition, in 2018, we have seen an improved ability by customers to separate the oil on-site prior to shipping of flowback volumes to White Owl.

Alberta

In Alberta, disposal and third-party processing volumes totalled 195,895 bbls during the third quarter of 2018, while oil and gas sales totalled 4,715 barrels of oil equivalent ("boe"). This compares to disposal and third-party processing volumes of 41,634 bbls and oil and gas sales of 1,590 boe in Q3 2017. The volumes for Q3 2017 are for the period from the date of acquisition in August 2017.

General and Administrative

In Q3 2018, general and administrative ("G&A") expenses totalled \$574,000, or 13% of total combined revenue, compared to \$575,000, or 18% of total combined revenue in Q3 2017. For the nine months ended September 30, 2018, G&A expenses totalled \$1,725,000, or 14% of total combined revenue, compared to \$1,454,000, or 17% of total combined revenue in the nine months ended September 30, 2017. The increase in G&A expenses is mainly due to additional staffing and related office costs associated with the purchase of Clairmont in Q3 2017, construction of the Epping facility and upgrading of Alexander to a Class 1 facility in 2018. Professional fees also increased due to the Company's ongoing restructuring initiatives discussed in the Outlook section.



OPERATING LOCATIONS (dollar amounts in USD except Clairmont):

New Town

New Town Facility (amounts in USD except volumes)						
	Q3 2018	Q3 2017	% Change	YTD 2018	YTD 2017	% Change
Production Water (b/d)	12,485	13,481	-7%	13,090	12,735	3%
Flowback (b/d)	1,991	3,308	-40%	1,545	1,775	-13%
Total Fluids Disposed (b/d)	14,476	16,790	-14%	14,636	14,510	1%
Oil Sales (b/qtr)	4,879	10,500	-54%	14,686	23,167	-37%
Revenue						
Production Water	610,699	542,430	13%	1,787,823	1,581,450	13%
Price for Production Water/bbl	\$0.53	\$0.44	22%	\$0.50	\$0.45	10%
Flowback	215,081	247,326	-13%	420,794	403,573	4%
Price for Flowback/bbl	\$1.17	\$0.81	44%	\$1.00	\$0.83	20%
Recovered Oil	291,524	403,552	-28%	825,890	888,894	-7%
Price for Oil/bbl	\$59.75	\$38.44	55%	\$56.24	\$38.37	47%
Total Revenue	1,117,304	1,193,309	-6%	3,034,507	2,873,917	6%
Total Revenue/bbl	\$0.85	\$0.78	9%	\$1.15	\$1.09	5%
Operating Expenses	571,116	542,466	5%	1,737,170	1,606,853	8%
Operating Income	546,188	650,843	-16%	1,297,337	1,267,064	2%

New Town total revenue per barrel increased 9% to \$0.85 in Q3 2018 compared to \$0.78 in Q3 2017. Production water disposal revenue increased 13% in Q3 2018 to \$610,699 from \$542,430 in Q3 2017, as a 22% increase in pricing more than offset a 7% decrease in production water volumes disposed. Flow back revenues decreased 13% to \$215,081 in the current quarter from \$247,326 in Q3 2017, as a 44% increase in pricing was more than offset by a 40% decrease in flow back volumes. The decrease in flow back volumes was mainly due to lower customer drilling activity in the area in the quarter. Oil revenues decreased 28% to \$291,524 in Q3 2018 from \$403,552 in Q3 2017, as the 54% decrease in oil volumes sales was partially offset by a 55% increase in the realized oil price. In addition, the decrease in oil volumes sold is attributable to customers recovering more oil on-site prior to shipping flowback volumes to White Owl. As a result of the lower flowback and oil revenues, total revenue decreased 6% to \$1,117,304 in Q3 2018 from \$1,193,309 in Q3 2017, while operating income decreased 16% to \$546,188 in Q3 2018 from \$650,843 in Q3 2017.

For the nine months ended September 30, 2018, New Town total revenue per barrel increased 5% to \$1.15 compared to \$1.09 in the prior year period. Total revenue increased 6% to \$3,034,507 in the nine months ended September 30, 2018 from \$2,873,917 in the 2017 comparable period, while operating income increased 2% to \$1,297,337 from \$1,267,064 over the same period. Production water disposal revenue increased 13% as production water pricing increased 10% and volumes disposed increased 3%. Flowback revenue increased 4% to



\$420,794 in the current nine-month period from \$403,573 in the comparable 2017 period, as a 20% increase in pricing more than offset a 13% decrease in flowback volumes. The 13% decrease in flowback volumes year-to-date was mainly the result of lower customer drilling activity in the area. Oil revenues decreased 7% to \$825,890 in the nine months ended September 30, 2018 from \$888,894 in the 2017 nine-month period as a 37% decrease in oil volumes sales was partially offset by a 47% increase in the realised oil price.

Watford City

Watford Facility (amounts in USD except volumes)

	Q3 2018	Q3 2017	Change	YTD 2018	YTD 2017	Change
Production Water – Trucked (b/d)	12,278	12,640	-3%	13,131	12,063	9%
Production Water – Piped (b/d)	485	0		163		
Flowback (b/d)	628	822	-24%	379	695	-45%
Total Fluids Disposed (b/d)	13,391	13,462	-1%	13,673	12,758	7%
Oil Sales (b/qtr)	1,626	2,025	-20%	5,569	5,921	-6%
Revenue						
Production Water -Trucked	578,493	586,660	-1%	1,731,062	1,672,229	4%
Price for Production Water Truck/bbl	\$0.51	\$0.50	2%	\$0.48	\$0.51	-5%
Production Water - Piped	21,408	0		21,408	0	
Price for Production Water Piped/bbl	\$0.48	\$0.00		\$0.48		
Flowback	88,881	110,005	-19%	155,554	276,983	-44%
Price for Flowback/bbl	\$1.54	\$1.46	6%	\$1.50	\$1.46	3%
Recovered Oil	96,110	80,331	20%	308,553	230,927	34%
Price for Oil/bbl	\$59.10	\$39.68	49%	\$55.41	\$39.00	42%
Other income	7,196			7,196	0	
Total Revenue	792,088	776,996	2%	2,223,774	2,180,139	2%
Total Revenue/bbl	\$0.65	\$0.63	2%	\$0.90	\$0.94	-5%
Operating Expenses	378,779	322,448	17%	1,143,222	1,085,535	5%
Operating Income	413,309	454,547	-9%	1,080,552	1,094,604	-1%

In September 2018, Watford was pipeline-connected securing production water volumes from a major customer. With this pipeline connection, trucked and piped production water disposal volumes totaled 12,763 b/d in Q3 2018, up slightly from 12,640 b/d in Q3 2017, resulting in total production water revenues of \$599,901 in the current quarter, up 2% from \$586,660 of revenues in Q3 2017. Flowback volumes decreased 24% in Q3 2018 over Q3 2017, mainly due to production water volumes consuming a greater portion of plant capacity to meet customer commitments. As a result, flowback revenues decreased 19% to \$88,881 from \$110,005 in Q3 2017. Oil revenues increased 20% to \$96,110 in Q3 2018 from \$80,331 in Q3 2017, as a 49% increase in the realized price for oil more than offset a 20% decrease in oil volumes sold. The decrease in oil volumes sold is due to lower flowback volumes and to customers' improved ability to separate the oil on-site prior to shipping flowback to White Owl. Operating expenses increased 17% in Q3 compared to Q3 2017, resulting in Watford operating



income declining 9% to \$413,309 in the current quarter from \$454,547 in the prior year quarter. The quarter-over-quarter increase in operating expenses is the result of a large credit applied to expenses in Q3 2017 to correct an over-accrual for solids disposal expense.

For the nine months ended September 30, 2018, Watford total revenue increased 2% to \$2,223,774 from \$2,180,139 in the prior year period, while operating income for the facility remained relatively flat at \$1,080,552 for the current nine-month period compared to \$1,094,604 for the nine months ended September 30, 2017. For combined trucked and pipeline water disposal, volumes increased 10% while revenues increased 5% to \$1,752,470 for the nine months ended September 30, 2018 from \$1,672,229 in the prior year period. Competitive pressures resulted in pricing for production water decreasing by 5% period-over-period. The realized price for oil increased 42%, resulting in oil sales revenues increasing 34% to \$308,553 for the nine months ended September 30, 2018 from \$230,927 for the prior year period, more than offsetting the 6% decrease in oil sales volumes. Flowback revenues declined 44% as flowback volume per day decreased 45% due to plant capacity being predominantly filled with lower priced production water, as reported in the previous quarter's Report To Our Shareholders.

Ross

Ross Facility (amounts in USD except volumes)

	Q3 2018	Q3 2017	Change	YTD 2018	YTD 2017	Change
Production Water (b/d)	4,131	3,192	29%	4,252	3,013	41%
Flowback (b/d)	2,241	431	420%	1,264	270	368%
Total Fluids Disposed (b/d)	6,372	3,623	76%	5,516	3,283	68%
Oil Sales (b/qtr)	2,900	1,590	82%	12,085	5,002	142%
Revenue						
Production Water	184,757	132,261	40%	575,193	374,123	54%
Price for Production Water/bbl	\$0.49	\$0.45	8%	\$0.50	\$0.45	9%
Flowback	193,443	25,146	669%	338,596	59,334	471%
Price for Flowback/bbl	\$0.94	\$0.63	48%	\$0.98	\$0.81	22%
Recovered Oil	171,884	62,841	174%	669,047	196,416	241%
Price for Oil/bbl	\$59.27	\$39.53	50%	\$55.36	\$39.27	41%
Total Revenue	550,084	220,248	150%	1,582,836	629,873	151%
Total Revenue/bbl	\$0.95	\$0.67	42%	\$1.05	\$1.06	-1%
Operating Expenses	214,098	165,831	29%	641,821	539,308	19%
Operating Income	335,986	54,418	517%	941,015	90,566	939%

Q3 2018 operating income increased six-fold to \$335,986 from \$54,418 in Q3 2017, while for the nine months ended September 30, 2018, operating income increased ten-fold to \$941,015 from \$90,566 in the 2017 comparable period. In Q3 2018, total revenue per barrel increased 42% to \$0.95/bbl from \$0.67/bbl in Q3 2017 mainly due to higher prices for production water (8%), flowback (48%) and oil (50%).



For the three and nine months ended September 30, 2018, total fluids disposed increased significantly by 76% to 6,372 b/d and by 68% to 5,516 b/d, respectively, compared to the same periods in 2017 due to drilling and completion activity expanding beyond the core area of the Bakken during the second half of 2017 and continuing into 2018.

For the three and nine months ended September 30, 2018, oil sales volumes increased 82% and 142%, respectively, while oil prices increased 50% and 41%, respectively, compared to the same periods in 2017. The increase in oil sales volumes is mainly due to the significant increase in flowback volumes which increased five-fold in both Q3 2018 and for the nine months ended September 30, 2018 compared to the same periods in 2017. The higher oil sales volumes and prices resulted in a three-fold increase in oil revenues to \$171,884 in Q3 2018 and to \$669,047 for the nine months ended September 30, 2018.

The significantly increased volumes for both disposal fluids and oil combined with the higher prices resulted in a 150% increase in total revenue to \$550,084 in Q3 2018 and a 151% increase to \$1,582,836 for the nine months ended September 30, 2018 versus the comparable 2017 periods. Volume expansion accounted for increases in operating expenses of 29% in Q3 2018 and 19% for the nine months ended September 30, 2018. 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 due to increased drilling activity in the Tier 2 areas of the Bakken play where continuing higher oil prices have improved the economics of drilling in these fringe areas.

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

Tioga (Volumes 100%; Dollar amounts at 32% Working Interest in USD)

	Q3 2018	Q3 2017	Change	YTD 2018	YTD 2017	Change
Production Water-Trucked (b/d)	10,607	8,690	22%	9,169	7,515	22%
Production Water-Piped (b/d)	4,272	2,898	47%	4,744	2,371	100%
Flowback (b/d)	143	830	-83%	66	1,097	-94%
Total Fluids Disposed (b/d)	15,022	12,419	21%	13,979	10,983	27%
Oil Sales (b/qtr)	1,785	3,163	-44%	6,903	10,796	-36%
Revenue						
Production Water-Trucked	156,136	115,127	36%	400,423	295,426	36%
Price for Production Water/bbl	\$0.50	\$0.45	11%	\$0.50	\$0.45	11%
Production Water-Piped	94,327	63,990	47%	310,818	155,325	100%
Price for Production Water/bbl	\$0.75	\$0.75	0%	\$0.75	\$0.75	0%
Flowback	4,220	15,249	-72%	5,732	61,988	-91%
Price for Flowback/bbl	\$1.00	\$0.62	60%	\$1.00	\$0.65	55%
Recovered Oil	34,013	41,052	-17%	122,281	135,010	-9%
Price for Oil/bbl	\$59.55	\$40.55	47%	\$55.36	\$39.08	42%
Overhead Fee Income	0	9,674	-100%	0	29,654	-100%
Total Revenue	288,695	245,092	18%	839,255	677,404	24%
Total Revenue/bbl	\$0.66	\$0.68	-3%	\$1.04	\$1.06	-2%
Operating Expenses	146,240	108,099	35%	402,782	286,594	54%
Operating Income	142,455	136,992	4%	436,473	390,810	12%

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. Operations to date at Tioga show an increase in total fluid volumes disposed and the site is now operating close to the maximum pump capacity of 15,000 b/d.

Operating income increased 4% to \$142,455 and 12% to \$398,307 for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. For the three and nine months ended September 30, 2018, total revenue per barrel decreased 3% to \$0.66/bbl from \$0.68/bbl in Q3 2017 and 2% to \$1.04/bbl from \$1.06/bbl due to significantly lower flowback volumes. The decrease in total revenue per barrel in Q3 2018 and year-to-date was more than offset by increases in total fluids disposed, resulting in total revenue increasing 18% to \$288,695 in Q3 2018 and 24% to \$839,255 year-to-date compared to the same 2017 periods.

For the three and nine months ended September 30, 2018, total fluids disposed increased 21% and 27% respectively, compared to the same periods last year. In Q3 2018, a 47% increase in piped production water and a 22% increase in trucked production water more than offset an 83% decrease in flowback volumes, while for the nine months ended September 30, 2018, a 100% increase in piped production water and a 22% increase in



trucked production water more than offset a 94% decrease in flowback volumes. Due to trucked and pipelined water volumes filling the plant's capacity, the Tioga plant was unable to accept significant flowback volumes which led to lower oil sales volumes. Truckers hauling flowback water need quick unload times and are not prepared to wait behind truckers hauling regular production volumes. However, the significant increase in production water volumes more than offset the financial impact of lower flowback and oil sales volumes resulting in the higher revenues and operating income in the three and nine months ended September 30, 2018 compared to the 2017 comparable periods. For the three and nine months ended September 30, 2018, oil sales volumes decreased 44% to 1,785 bbls and 36% to 6,903 bbls, respectively, relative to the same 2017 periods due to lower flowback volumes.

The volume increases in total fluids disposed resulted in a 35% increase in operating expenses in Q3 2018 compared to Q3 2017.

Epping SWD JV

Epping (Volumes 100%; Dollar amounts at 20% Working Interest in USD)

	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Production Water-Trucked (b/d)	0	0	0	0
Production Water-Piped (b/d)	535	0	535	0
Flowback (b/d)	0	0	0	0
Total Fluids Disposed (b/d)	535	0	535	0
Oil Sales (b/qtr)	0	0	0	0
Revenue				
Production Water-Trucked	0	0	0	0
Price for Production Water/bbl	\$0.00	\$0.00	\$0.00	\$0.00
Production Water-Piped	6,327	0	6,327	0
Price for Production Water/bbl	\$0.65	\$0.00	\$0.65	\$0.00
Flowback	0	0	0	0
Price for Flowback/bbl	\$0.00	\$0.00	\$0.00	\$0.00
Recovered Oil	0	0	0	0
Price for Oil/bbl	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenue	6,327	0	6,327	0
Total Revenue/bbl	\$0.65	\$0.00	\$0.20	\$0.00
Operating Expenses	16,171	0	16,171	0
Operating Income (loss)	(9,844)	0	(9,844)	0

A 10-year initial term disposal agreement ("Epping Disposal Agreement") featuring automatic extensions has been executed by White Owl with a major oil producer at Epping in Williams County, North Dakota. Under the agreement, the producer has pipeline-connected its gathering system to the Epping facility, thereby providing a long-term commitment to deliver produced water to Epping. White Owl concurrently executed a joint venture



agreement ("JV Agreement") with the White Owl Epping LLC, pursuant to which the Epping LLC and certain service providers have funded the development of a new disposal facility in the area. As per the JV Agreement, White Owl has received a 20% carried interest through the development stage of the project, which included the construction of the Salt Water Disposal ("SWD") facility and drilling of the injection well. All permits and landowner agreements are now in place for Epping. Construction of this facility commenced in May 2018 and it became fully operational on September 17, 2018.

Alberta - Clairmont Processing and Disposal Plant

Located in the Grande Prairie area, Clairmont is a clean oil terminal and emulsion processing facility with 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 barrels of oil equivalent per day.

Market conditions in the Grande Prairie area have remained strong through 2018. 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 activities of White Owl's marketing partner, Trafigura Canada General Partnership, have been restricted and will remain so until the planned expansion is completed, which is subject to the availability of capital.

Our 2018 activities at Clairmont 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. Operating income at Clairmont totaled C\$4,000 in Q3 2018, while for the nine months ended September 30, 2018, Clairmont generated an operating loss of C\$107,000 due to a one-time well workover expense of C\$183,000 in April.

DEVELOPMENT LOCATIONS

Alexander: White Owl has successfully converted the Alexander facility to a Class 1 facility. The North Dakota Department of Health is the regulator for the plant and has issued a final permit to allow commencement of operations to dispose of Class 1 industrial water volumes. The down-hole well work required by the regulator has been completed and facility commissioning will be completed in Q4 2018.

Undertaking the conversion from a Class 2 to a Class 1 facility 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 is anticipated to contribute significant operating income in 2019. The potential customer base includes entities who generate fluids from regional landfills, local refineries, mining operators, pipeline operators, and oil terminals.

Blue Buttes: A permit has been issued by the North Dakota Industrial Commission for the Blue Buttes SWD. This will be a 2019 project subject to the availability of suitable financing.

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.



At New Town, permitting for a second disposal well has been completed; at Watford City, a second disposal well is in the permitting process; and at Tioga and Epping, a second disposal well 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 growth opportunities well into the future.

OUTLOOK

With the improved business environment and robust commodity prices in North Dakota, the financial results for the third quarter of 2018 were strong. The expected drilling activity in the fourth quarter and into 2019 with the addition of the Epping and Alexander Class 1 facilities coming on stream in Q4 2018 will reinforce this positive direction.

In Alberta, business at the Clairmont plant is less robust due to the inability to expand capacity because of the lack of investment capital. In addition, although commodity prices remained firm in North Dakota during the quarter, Canada's lack of pipeline access has resulted in a very difficult commodity price environment for producers.

White Owl has optimally situated plants in North Dakota with a strong pipeline of development opportunities. However, the Company's ability to finance new opportunities has been, and continues to be, impacted by its capital structure. Although remaining independent may represent an attractive opportunity to build long-term value for the Company, current market conditions in Canada (lack of pipeline access and a severely depressed commodity price environment) coupled with difficulty accessing capital to finance development make this route difficult. In addition, our preferred shareholders have expressed a strong desire to see immediate liquidity. As a result, and as previously announced, we have engaged DA Davidson of Denver, Colorado to carry out a strategic alternatives process designed to identify and execute on opportunities to maximize shareholder value. This process is well advanced, and management and the board are currently evaluating the alternatives in front of us. Such alternatives could include anything from an outright sale, a partial sale of specific assets, a merger and/or re-capitalization of the Company. We will continue to keep our shareholders updated and apprised of this process and will take whatever steps are necessary to arrive at a satisfactory outcome that is in the best interests of all shareholders.

In the meantime, our banking relationship has stabilized with the resumption of blended principal and interest payments of US\$186,650 which commenced on August 31, 2018. We are committed to make a "catch-up" balloon payment of US\$1 million in January 2019, which will result in bank debt being reduced to less than US\$10 million at the end of January 2019.

Despite some headwinds, White Owl continues to successfully grow our business, pursue new projects, attract new customers, and establish new pipeline connections, all of which present solid growth prospects well into the future. At the same time, we are taking steps to improve the balance sheet and shareholder value continues to grow.



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 continued 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