October 1, 2019

REPORT TO OUR SHAREHOLDERS

To Our Shareholders,

We are pleased to provide you with the financial statements and management's discussion of financial results for the three and six months ended June 30, 2019.

As previously reported, a fire destroyed the Company's Watford SWD Facility on January 17, 2019. There were no injuries to onsite personnel, nearby residents, businesses, or emergency personnel. The Company has property insurance to cover the costs , subject to deductibles, to rebuild the facility as well as business interruption insurance for the loss of income during the reconstruction period. For the six months ended June 30, 2019, the following table of Financial Highlights relating to North Dakota operations does not recognise volumes, revenues and expenses for Watford from the date of the fire. However, the business interruption insurance recovery amount is recognised as a separate line item below operating income and included in earnings.

At Clairmont, Alberta, a pipeline leak was discovered on February 12, 2019 which has resulted in the Company permanently shutting-in the Company's oil and gas production. The Company's insurance program has paid for the soil remediation costs related to this leak, subject to deductibles.

FINANCIAL HIGHLIGHTS

	Three months ended March 31,		Three months ended June 30,		Six months ended June 30,		
($000's Canadian, except volumes)	**2019**	**2018**	**2019**	2018	**2019**	2018	**%**
North Dakota operations[(1)]							
Disposal volumes (Bbls)	**2,721,150**	3,274,839	**2,687,145**	3,588,324	**5,408,294**	6,863,163	-21%
Recovered oil sales volumes (Bbls)	**8,019**	12,845	**11,722**	11,727	**19,740**	24,571	-20%
Disposal revenue ($ per Bbl)	**$0.80**	$0.66	**$0.81**	$0.68	**$0.72**	$0.67	7%
Oil sales revenue ($ per Bbl)	**$60.48**	$66.41	**$66.32**	$72.40	**$64.24**	$69.27	-7%
Operating costs and royalties ($ per Bbl)	**$0.84**	$0.49	**$0.95**	$0.47	**$0.89**	$0.48	85%
North Dakota disposal and services revenue							
Disposal revenue	**$2,173**	$2,161	**$2,164**	$2,441	**$4,337**	$4,602	-6%
Oil sales revenue	**485**	853	**783**	849	**1,268**	1,702	-25%
Other revenue	**121**	13	**144**	12	**265**	25	-960%
Total revenue – North Dakota	**2,779**	3,027	**3,091**	3,302	**5,870**	6,329	-7%
Operating costs	**(2,256)**	(1,609)	**(2,530)**	(1,704)	**(4,786)**	(3,313)	44%
Operating income – North Dakota[(2)]	**$523**	$1,418	**$561**	$1,598	**$1,084**	$3,016	-64%

($000's Canadian, except volumes)	Three months ended March 31, 2019	2018	Three months ended June 30, 2019	2018	Six months ended June 30, 2019	2018	%
Alberta operations[3]							
Volumes (Bbls)							
Disposal and third-party processing	**409,105**	364,166	**248,530**	462,912	**657,634**	827,078	-20%
Oil and gas	**1,838**	4,099	**18**	4,581	**1,856**	8,680	-78%
Revenue							
Disposal and third-party processing	**$526**	$436	**$383**	$349	**$909**	$785	16%
Oil and gas sales	**98**	249	**1**	318	**99**	567	-83%
Total revenue - Alberta	**624**	685	**384**	667	**1,008**	1,352	-25%
Operating costs	**(761)**	(586)	**(510)**	(877)	**(1,271)**	(1,463)	-13%
Operating income (loss) - Alberta[2]	**($137)**	$99	**($126)**	($210)	**($263)**	($111)	137%
Combined operations							
Oilfield disposal and processing revenue	**$3,184**	$3,450	**$3,330**	$3,639	**$6,514**	$7,087	-8%
Oil and gas sales	**98**	249	**1**	318	**99**	568	-83%
Other revenue	**121**	13	**144**	12	**265**	25	-919%
Combined revenue	**3,403**	3,712	**3,475**	3,969	**6,878**	7,681	-10%
Operating costs	**(3,017)**	(2,195)	**(3,046)**	(2,581)	**(6,057)**	(4,776)	27%
Combined operating income[2]	**$386**	$1,517	**$435**	$1,388	**$821**	$2,905	-72%
Insurance recovery-business interruption	**562**	-	**763**	-	**1,325**	-	
General and administrative expenses ("G&A")	**(559)**	(514)	**(630)**	(637)	**(1,189)**	(1,151)	3%
EBITDA [2]	**$389**	$1,003	**$568**	$751	**$957**	$1,754	-45%
Other income and expense							
Depreciation and depletion	**(454)**	(496)	**($427)**	($540)	**($881)**	(1,036)	-15%
Impairment	**(4,745)**	-	**-**	-	**(4,745)**	-	
Finance costs	**(388)**	(375)	**(286)**	(399)	**(674)**	(774)	-13%
Share-based payments	**(16)**	(34)	**(16)**	(34)	**(32)**	(68)	-53%
Foreign exchange (losses) gains	**(5)**	(33)	**116**	(147)	**111**	(180)	162%
Loss on settlement of promissory notes – net	**-**	-	**-**	258	**-**	258	
Loss on disposal of property, plant and equipment - net	**(4)**	-	**-**	-	**(4)**	(92)	96%
Loss on abandonment	**(16)**	-	**(57)**	(94)	**(73)**	(2)	-3,550%
Insurance recovery – property damage	**1,443**	-	**1,256**	-	**2,699**	-	
Net income (loss)	**($3,796)**	$65	**$1,154**	($205)	**($2,642)**	($140)	-1,787%

(1) *North Dakota operations do not recognise volumes, revenues and expenses for the Watford SWD from the date of the fire.*

(2) *Refer to "Non-GAAP Measures" in the Company's accompanying Management's Discussion of Financial Results the year ended December 31, 2018 for additional information.*

(2) *The comparative volumes, revenues and expenses for the three and twelve months ended December 31, 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.*

While the second half of 2019 is expected to show a considerable improvement in operating and financial results compared to the first half of the year, in the six months ended June 30, 2019, EBITDA was impacted by one-time expense items totaling $902,000. These one-time expenses comprise $485,000 for insurance deductibles relating to the Watford fire and the Clairmont pipeline leak, $193,000 for clean-out of the tanks at the Ross SWD Facility in North Dakota (a one in approximately two to three year event), $131,000 for a well workover at the Epping SWD Facility, and $93,000 for commissioning of the newly-constructed Alexander and Epping facilities. For July and August, the Company has recorded significantly improved disposal volumes, oil volume sales, revenues and EBITDA.

Combined revenues (North Dakota and Alberta) for the six months ended June 30, 2016 decreased by 10% compared to the 2018 comparative period as the Watford business interruption recoveries are recorded a separate line item below operating income. Operating costs increased by 27% for the six months ended June 30, 2019 due to the commissioning of the Alexander and Epping facilities in late 2018 and due to the aforementioned one-time expenses. Primarily as a result of these expenses, EBITDA decreased by 45% to $957,000 for the six months ended June 30, 2019.

North Dakota

For the six months ended June 30, 2019, North Dakota disposal volumes and oil sales volumes do not recognise volumes for the Watford SWD Facility from the date of the fire on January 17, 2019 as it is undergoing reconstruction; however the Company has been compensated for these lost water disposal volumes and oil sales under its business interruption insurance program with the amounts recovered included in earnings for the period under review. As a result, production water (trucked and piped) volumes disposed decreased by 21% for the six months ended June 30, 2019 compared to the 2018 comparable period while oil sales volumes decreased by 20% for the six months ended June 30, 2019.

For the six months ended June 30, 2019, North Dakota total revenue decreased by 7% to $5,870,000 compared to the comparable 2018 period The decrease is mainly due to the absence of Watford revenues from the current six month period. Operating costs increased by 44% to $4,786,000 for the six months ended June 30, 2019 mainly due to insurance deductibles, the Epping well workover, commissioning costs at Epping and Alexander, and a tank cleanout at the Ross SWD Facility. As a result, North Dakota operating income decreased 64% to $1,084,000 for the six months ended June 30, 2019 compared to the 2018 comparable period. For the six months ended June 30, 2019, the Company recovered $1,325,000 under its business interruption insurance program, which is recorded below operating income and included in earnings.

Please see "Operating Locations" on page 4 of this Shareholder Letter for details of volumes and operating income by facility.

Alberta

In Alberta, the Company's Clairmont Facility generates revenues from emulsion processing, oil blending and water disposal. In the six months ended June 30, 2019 disposal and third party processing volumes for the Clairmont Facility decreased 20% compared to the comparative 2018 period as the plant operates in an environment of apportioned oil pipeline throughput which limits receipts of clean oil and emulsion. Despite this pipeline restriction, revenues from Midstream disposal and third party processing increased 16% to $909,000 in the six months ended June 30, 2019 primarily due to greater water disposal volumes.

The Company also owns oil and gas wells in the Clairmont area but these were permanently shut in in February 2019 folowing a pipeline leak which has now been repaired with the contaminated soil fully remediated. As a result, the Company's Alberta oil and gas sales revenue decreased 83% in the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

With the shutting in of the oil and gas production, total revenue (Midstream and Oil and Gas combined) for Alberta decreased 25% to $1,008,000 in the six months ended June 30, 2019 compared to $1,352,000 the comparable 2018 period. For the six months ended June 30, 2019, Alberta operating costs decreased 13% to $1,271,000 from $1,463,000 in the prior year comparable period and include an insurance deductible related to the pipeline leak and well repair costs recorded in Q1 2019. For the six months ended June 30, 2019, the Alberta operating loss increased to $263,000 from $111,000 in the comparable 2018 period mainly due to the aforementioned insurance deductible relating to the pipeline leak.

OPERATING LOCATIONS (dollar amounts in USD except Clairmont):

New Town

New Town Facility (amounts in USD except volumes)

		Q1 2019	Q1 2018	Q2 2019	Q2 2018	YTD 2019	YTD 2018	*Change*
Production Water	b/d	15,269	11,983	15,637	14,798	15,454	13,398	*15%*
Flowback	b/d	900	1,353	778	1,284	839	1,319	*-36%*
Total Fluids Disposed	b/d	16,169	13,336	16,416	16,083	16,293	14,717	*11%*
Oil Sales	b/qtr	4,917	4,314	7,184	5,492	12,101	9,806	*23%*
Revenue								
Production Water		$761,100	$514,819	$786,868	$662,305	$1,547,967	$1,177,123	*32%*
Price for Production Water/bbl		0.55	0.48	0.55	0.49	0.55	0.49	*14%*
Flowback		107,629	91,402	96,782	114,311	204,411	205,713	*-1%*
Price for Flowback/bbl		1.33	0.75	1.37	0.98	1.35	0.86	*56%*
Recovered Oil		220,638	227,338	361,712	307,029	582,349	534,366	*9%*
Price for Oil/bbl		44.87	52.69	50.35	55.91	48.12	54.49	*-12%*
Total Revenue		**1,089,366**	**833,558**	**1,245,361**	**1,083,644**	**2,334,728**	**1,917,203**	***22%***
Total Revenue/bbl.		0.75	0.69	0.83	0.74	0.79	0.72	*10%*
Operating Expenses		605,143	565,355	656,280	600,698	1,261,423	1,166,053	***8%***
Operating Income		**$484,223**	**$268,203**	**$589,081**	**$482,946**	**$1,073,304**	**$751,149**	***43%***

Total revenue at New Town increased 22% to $2,334,728 for six months ended June 30, 2019 compared to six months ended June 30, 2018, due to volume increases for both oil sales (up 23%) and fluids disposal (up 11%) as well as price increases for production water and flowback. As a result, operating income for New Town increased 43% to $1,073,304 for the six months ended June 30, 2019 compared to the 2018 comparable period.

In the six months ended June 30, 2019, total fluids disposed increased 11% to 16,293 barrels per day from 14,717 barrels per day for the six months ended June 30, 2018 with production water volumes disposed increasing by 15% while flowback volumes decreased by 36%. Flowback revenues remained relatively flat at $204,411 for the current six month period compared to $205,713 in the comparable 2018 period as the 36% decrease in volumes was offset by a 56% increase in price. Production water revenues increased by 32% in the six months ended June 30, 2019 compared to the prior year comparable period due to a 15% increase in volumes disposed and a 14% increase in price. Recovered oil revenues increased 9% to $582,349 in the six months ended June 30, 2019 compared to $534,366 in the six months ended June 30, 2018 as the 23% increase in oil volume sales more than offset the 12% decrease in the realized oil price. For the six months ended June 30, 2019, operating costs increased 8% as total fluid disposal volumes increased 11%.

Watford City

On January 17, 2019, a fire destroyed the Watford SWD. There were no injuries to onsite personnel, nearby residents, businesses, or emergency responders. The Company carries property insurance to cover the costs to rebuild the facility as well as business interruption insurance for the loss of income over the reconstruction period. Reconstruction of the Watford Facility is expected to be complete and operational in the fourth quarter of 2019. In the three and six months ended June 30, 2019, the Company recorded business interruption insurance recovery amounts of $763,000 and $1,325,000, respectively, and are recorded as a line item below operating income and included in earnings.

Ross

Ross Facility (amounts in USD except volumes)

		Q1 2019	Q1 2018	Q2 2019	Q2 2018	YTD 2019	YTD 2018	*Change*
Production Water	b/d	3,595	4,489	5,334	4,141	4,470	4,316	*4%*
Flowback	b/d	837	1,062	893	476	865	770	*12%*
Total Fluids Disposed	b/d	4,432	5,551	6,227	4,616	5,335	5,086	*5%*
Oil Sales	b/qtr	1,538	5,229	3,203	3,956	4,741	9,185	*-48%*
Revenue								
Production Water		$161,784	$202,023	$242,714	$188,414	$404,498	$390,436	*4%*
Price for Production Water/bbl		0.50	0.50	0.50	0.50	0.50	0.50	*0%*
Flowback		75,338	95,994	81,274	49,159	156,612	145,153	*8%*
Price for Flowback/bbl		1.00	1.00	1.00	1.14	1.00	1.04	*-4%*
Recovered Oil		74,555	274,861	156,778	222,301	231,333	497,162	*-53%*
Price for Oil/bbl		48.48	52.57	48.95	56.19	48.79	54.13	*-10%*
Total Revenue		**311,677**	**572,878**	**480,766**	**459,874**	**792,442**	**1,032,751**	***-23%***
Total Revenue/bbl.		0.78	1.15	0.85	0.91	0.82	1.12	*-27%*
Operating Expenses		401,111	218,758	280,300	208,965	681,410	427,723	***59%***
Operating Income (loss)		**($89,434)**	**$354,119**	**$200,466**	**$250,909**	**$111,032**	**$605,028**	***-82%***

For the six months ended June 30, 2019, total fluids disposed by the Ross Facility increased 5% to 5,335 barrels per day from 5,086 barrels per day in the prior year comparable period, while oil sales volumes decreased by 48% to 4,741 barrels sold in the current six month period compared to 9,185 barrels sold in the prior year comparable period. The oil sales volumes for the six months ended June 30, 2019, were impacted by a weak Q1 2019, a situation which has significantly improved in Q3 2019 as area producers have increased drilling activities in the surrounding area leading to the Ross Facility reaching full capacity in the latter part of Q3 2019. For example, total fluids disposed reached 9,900 barrels per day in July 2019 and increased further to 14,400 barrels per day in August 2019.

For the six months ended June 30, 2019, the 48% decrease in oil volume sales combined with production water and flowback pricing remaining relatively flat and the realised price for oil decreasing by 10%, has resulted in Ross revenues decreasing by 23% to $792,442 in the current six month period from $1,035,751 in the prior year comparable period. In addition operating costs include a tank clean out costing $144,820 in Q1 2019 which, combined with higer costs for insurance, utilities, repairs, site maintenance and labour, has led to an increase of 59% in operating costs to $681,410 for the six months ended June 30, 2019 from $427,723 for the six months ended June 30, 2018. As a result, Ross operating income decreased to $111,032 for the six months ended June 30, 2019 from $605,028 for the prior year comparable period.

Tioga SWD JV

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

		Q1 2019	Q1 2018	Q2 2019	Q2 2018	YTD 2019	YTD 2018	*Change*
Production Water-Trucked	b/d	8,630	7,162	5,807	9,699	7,211	8,438	*-15%*
Production Water-Piped	b/d	6,201	4,209	9,692	5,750	7,956	4,984	
Flowback	b/d	195	(2)	82	54	138	26	*428%*
Total Fluids Disposed	b/d	15,026	11,368	15,581	15,503	15,305	13,447	*14%*
Oil Sales	b/qtr	2,528	3,181	1,215	1,937	3,743	5,118	*-27%*
Revenue								
Production Water - Trucked		$149,119	$103,074	$101,467	$141,213	$250,585	$244,287	*3%*
Price for Prodn. Water-Trucked/bbl		0.60	0.50	0.60	0.50	0.60	0.50	*20%*
Production Water - Piped		94,340	90,909	146,761	125,582	241,101	216,491	
Price for Prodn. Water Piped/bbl		0.53	0.75	0.52	0.75	0.52	0.75	
Flowback		8,966	(66)	3,807	1,578	12,773	1,513	*744%*
Price for Flowback/bbl		1.60	1.00	1.60	1.00	1.60	1.00	*60%*
Recovered Oil		36,085	53,039	19,397	35,230	55,482	88,269	*-37%*
Price for Oil/bbl		44.60	52.10	49.88	56.84	46.32	53.90	*-14%*
Total Revenue		**288,509**	**246,956**	**271,433**	**303,603**	**559,942**	**550,559**	***2%***
Total Revenue/bbl.		0.66	0.75	0.60	0.67	$0.63	$0.71	*-11%*
Operating Expenses		154,256	122,483	152,487	134,059	306,743	256,541	***20%***
Operating Income		**$134,254**	**$124,473**	**$118,945**	**$169,545**	**$253,199**	**$294,018**	***-14%***

White Owl has a 32% working interest in the Tioga SWD Joint Venture (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.

For the six months ended June 30, 2019, the Tioga SWD Facility has been operating at near capacity with total fluids disposed up 14% to 15,305 barrels per day from 13,447 barrels per day in the prior year comparable period. Production water received by pipeline has increased by 60% in the six months ended June 30, 2019 displacing trucked production water, as the producer who owns the pipeline has been sending more water to the facility. Since the oil content in pipeline production water is less than in trucked-in production water, oil volumes sold have decreased by 27% in the six months ended June 30, 2019.

For the six months ended June 30, 2019, total revenue at Tioga for White Owl's 32% interest increased by 2% compared to the prior year comparable period, as higher revenues for trucked-in production water (up 3%) and piped-in production water (up 11%) more than offset lower recovered oil revenues (down 37%). The price per barrel for trucked-in production water and flowback increased by 20% and 60%, respectively, due to price increases implemented in Q4 2018, while the price for piped-in production water decreased by 30% pursuant to the terms of the contract with the owner of the pipeline. Operating costs for the six months ended June 30, 2019, increased by 20% mainly due to higher variable costs from the increased volumes, including utilities, chemicals and equipment repairs. The combination of piped-in production water representing a greater percentage of total fluids disposed, lower recovered oil volumes and a lower contract-based price for piped-in production water has resulted in operating income for the Company’s 32% interest in Tioga decreasing by 14% to $253,199 for the six months ended June 30, 2019 from $294,018 in the prior year comparable period.

Epping SWD JV

Epping (Volumes 100%; Dollar amounts at 32.5% Working Interest in USD)

		Q1 2019	Q1 2018	Q2 2019	Q2 2018	YTD 2019	YTD 2018	*Change*
Production Water-Trucked	b/d	4,461	0	4,082	0	4,271	0	
Production Water-Piped	b/d	3,015	0	933	0	1,969	0	
Flowback	b/d	28	0	548	0	289	0	
Total Fluids Disposed	b/d	7,505	0	5,563	0	6,528	0	
Oil Sales	b/qtr	1,675	0	2,911	0	4,586	0	
Revenue								
Production Water-Trucked		$78,296	$0	$72,431	$0	$150,728	$0	
Price for Production Water/bbl		0.60	0.00	0.60	0.00	0.60	0.00	
Production Water-Piped		57,331	0	17,941	0	75,272	0	
Price for Production Water/bbl		0.65	0.00	0.65	0.00	0.65	0.00	
Flowback		1,416	0	27,596	0	29,013	0	
Price for Flowback/bbl		1.74	0.00	1.70	0.00	1.71	0.00	
Recovered Oil		24,906	0	46,572	0	71,478	0	
Price for Oil/bbl		45.75	0.00	49.23	0.00	47.96	0.00	
Total Revenue		161,950	0	164,541	0	326,491	0	
Total Revenue/bbl.		0.74	0.00	1.00	0.00	$0.85	$0.00	
Operating Expenses		148,761	0	244,058	0	392,819	0	
Operating Income (loss)		13,190	0	(79,517)	0	(66,328)	0	

The Epping SWD Facility was constructed in 2018 and began accepting piped-in water disposal volumes in September of 2018. Therefore there are no year to date 2018 comparative numbers for volumes, revenues and expenses.

In 2018, White Owl executed a 10-year disposal agreement with a local producer to pipeline connect its gathering system to the Epping location providing a long-term commitment to deliver water to the location. White Owl concurrently executed a joint venture agreement with the White Owl Epping LLC (“JV Agreement”) under the terms of which the Epping LLC and certain service providers have funded the development of a new disposal facility at Epping in Williams County, North Dakota. Under the terms of the JV Agreement, White Owl received a 20% carried interest through the development stage of the project which included the construction of the SWD and drilling of the injection well and has increased this interest by 12.5 % to a 32.5% interest by investing US$816,000 in the project.

In the six months ended June 30, 2019, total revenue at Epping was $326,941. Operating costs included commissioning costs in Q1 2019 and a well workover in Q2 2019, resulting in an operating loss of $66,328 for the six months ended June 30, 2019.

The main area producer, is very active and is requesting the addition of a second well at the Epping location which is expected to improve the financial performance of this investment. The second well is currently in the permitting stage and its development is subject to receipt of the permit and to financing.

Canada - Clairmont Processing and Disposal Plant
White Owl owns and operates an oil pipeline connected oil processing and disposal facility at Clairmont, in the heart of the Montney shale play development in the Grande Prairie area of northwest Alberta. The Montney resource has been compared to the shale development taking place in the Permian and Delaware basins in Texas although restricted pipeline takeaway capacity in western Canada has dampened the pace of development. Market conditions in the Grande Prairie area remain relatively strong, although the Clairmont plant operates in an environment of apportioned oil pipeline throughput which limits receipts of clean oil and emulsion and it requires additional water disposal capacity. As a result, the marketing activities of Trafigura Canada General Partnership, White Owl's marketing partner, are somewhat restricted and will remain so until pipeline capacity (new inter-provincial pipelines) out of Alberta increases and the related capital is available to fund any planned expansion of the plant.

To date, minor improvements have been made to metering to allow third party dry oil and emulsion truck offloads and third-party water disposal. In 2019 activities have been focused on maximizing the water disposal market and capability of the plant and reducing fixed costs associated with the shut-in oilfield. The associated oilfield was permanently shut-in in February 2019 due to the risk of gathering line leaks and therefore there are no longer any producing oil wells at Clairmont. The Clairmont waste disposal and third-party processing facility generated operating income of $168,000 for the six months ended June 30, 2019. Oil and gas sales at Clairmont generated an operating loss of $431,000 for the six months ended June 30, 2019.

Alexander Class 1 Facility

Alexander Facility (amounts in USD except volumes)

		Q1 2019	Q1 2018	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Class 1 Water		7,666	0	8,362	0	16,028	0
Revenue							
Class 1 Water	b/qtr	$15,332	$0	$40,595	$0	$55,927	$0
Price for Class 1 Water		2.00	0.00	4.85	0.00	3.49	0.00
Total Revenue		15,332	0	40,595	0	55,927	0
Operating Expenses		176,301	6,225	165,607	9,309	341,908	15,533
Operating Income (loss)		($160,969)	($6,225)	($125,012)	($9,309)	($285,981)	($15,533)

The Alexander Class 1 facility was converted from a suspended Class 2 SWD facility and was commissioned in November 2018. Class 1 disposal is a new business line for White Owl with a different customer base and a broader market than Class 2 disposal and the business will take some time to develop as customers become aware of the service and as regulators move to enforce the regulations around Class 1 disposal. The anticipated slow build up of a customer base combined with commissioning costs incurred in Q1 2019 and higher operating costs related to receiving fresh water fluids during the winter has resulted in an operating loss of US$285,981 for the six months ended June 30, 2019. However it is anticipated that operating results will improve in the second half of 2019 and already in Q3 2019, over 50,000 barrels of Class 1 water was disposed compared to 16,028 barrels in the first six month of 2019.

The Class 1 facility accepts industrial fluids (as opposed to Class 2 disposal which is for oilfield fluids only) including pipeline test water, refinery wastewater, landfill leachate, oil terminal runoff, vacuum truck rinsate, gas plant cooling tower cleaning waste, waste compressor fluids, pipeline pit waste water and pesticide rinsate.

DEVELOPMENT LOCATIONS

Blue Buttes: A permit application has been received from the North Dakota Industrial Commission for the Blue Buttes SWD. The plant site is located on the western edge of the Berthold Reservation directly off the BIA 4 county road and in the middle of the Tier 1 acreage in the Antelope field. Oil companies and truckers operating in the area have expressed a strong interest in having access to this highly strategic disposal location as soon as possible. The timing for development of this facility is subject to the availability of capital but management is targeting a June 2020 startup date.

Additional Disposal Wells: The New Town, Tioga and Epping facilities are all operating at maximum disposal capacity and with the need for disposal in these areas increasing, second disposal wells are needed at all locations. Watford City will also need a second disposal well once the facility is rebuilt, as prior to the fire it operated at close to capacity. Permitting for a second disposal well at New Town and Tioga has been completed, and second disposal wells at Watford City and Epping are in the permitting process.

OPERATIONAL UPDATE

The first quarter of 2019 was a difficult one. On January 17 the phone call came in that the Watford City SWD was on fire. What a way to start the year. The management team however reacted quickly and once we were satisfied that everyone was safe and that the site had been secured it was down to business. Insurance policies were reviewed, insurance agents were called and the bank, company directors and customers were informed.

Since that eventful day we have collected US$4 million in insurance proceeds, and the facility has been rebuilt with plant start-up scheduled for the fourth quarter of 2019. As there was no visible evidence as to the cause of the fire, we made a decision to rebuild with steel tanks and to only use steel tanks on future construction. Although there was no evidence that fibreglass tanks were a problem, we remain suspicious that static electricity may have played a role in the fire. We now look forward to start-up with a brand-new facility that will be at capacity from day one should customer forecasts materialize. We are permitting a second well for the location.

Despite the intense levels of activity created by the fire, our operations people redirected their activities and worked to improve operations at the other Class 2 SWD facilities. At both the Epping and Tioga SWDs we focussed on servicing our main pipeline connected customer by maximising plant throughput and permitting second wells at both locations. At the Ross SWD, where activity levels have historically been "choppy" we were successful in attracting new volumes from several area customers who were drilling very good wells in the area. Ross is now one of our better performing locations. At New Town the facility continues to operate at capacity and will do so until we get a second disposal well drilled. New Town was one of our acquired plants and facility upgrades are also sorely needed.

Up until the beginning of 2019, the Alexander Class 2 SWD facility had been suspended due to lack of activity in the area. Once it became evident that the Killdeer Class 1 project was not going to proceed due to poor casing in the well, management made a decision to re-permit the Alexander Class 2 SWD facility as a Class 1 facility. The physical conversion of the plant was completed late in 2018 and the plant commenced operations early in the new year. We had several months of operating losses due to typical start-up challenges and the difficulty in handling fresh water in the winter months. Since then business has improved considerably, and we are attracting new customers every month. The business is highly regulated, and fluids need to be tested in advance with analytical results being forwarded to the regulator for final approval. Once a waste stream is approved however, the customer can continue to deliver waste streams on an as needed basis. The primary customers are landfills and midstream companies.

In Canada we are also making some progress at Clairmont. The oil wells have been shut in due to the risk of gathering system pipeline failures which can be very expensive to remediate. We had a pipeline failure in February which cost C$177,654 to clean up, a portion of which was covered by insurance with the balance being funded by the Company as there was a C$100,000 deductible. Business at Clairmont is improving however and the monthly income now more than covers the fixed cost of the suspended oil and gas wells. Going forward, we intend to abandon one well quarterly which will slowly reduce the abandonment liability associated with the operation.

CORPORATE MATTERS

We mentioned the ongoing strategic process in our last shareholder letter and wish to advise that this process has now been terminated. As Davidson's services did not identify any viable alternatives, and after incurring costs totaling approximately $600,000, the Davidson engagement with the Company was terminated effective July 31, 2019. This was a time consuming, premature and costly exercise that was initiated to appease the dissident shareholder group who were looking to have their preferred shares redeemed. Following the failure of this process, the dissident shareholder group have requisitioned a shareholder meeting with the aim of removing and replacing all of the current directors. The directors have therefore called an Annual and Special Meeting of Shareholders to be held on December 17, 2019. The meeting will deal with both annual meeting matters and matters related to the requisition and thus avoid the additional distraction and costs associated with two meetings. Shareholders are not required to take any action at this time in respect of the Meeting.

Despite these headwinds, the primary focus of White Owl's board and management today is to increase shareholder value through continuing to pay down debt, improving the quality of earnings and growing revenues and EBITDA. Over the past 12 months, bank debt has been reduced by US$2.5 million and two new revenue generating projects at Alexander and Epping have been commissioned. To further grow EBITDA and increase shareholder value, and due to customer demand, the Company is permitting second wells at both the Epping and Tioga SWDs and plans to develop these two projects during the fourth quarter of this year subject to the availability of capital. These projects plus ongoing plant improvements at all operating locations are forecast to grow the Company's EBITDA by over 50% from the present US$3.5 million annual run rate (adjusted for one-time items) to greater than US$5 million as presented in the table below. These projections depend on availability of project finance, continuing strong market conditions in North Dakota, permitting of Epping and project scheduling.

FINANCIAL FORECAST FOR THE FALL 2019 CAPITAL PROGRAM

	2018	2019	2020	2021
Water Barrels per Day	39,100	46,404	51,171	51,171
New Water Barrels per Day	0	195	7,905	7,905
Total Water Barrels per Day	39,100	46,598	59,076	59,076
Operating Income	$4,369,000	$4,379,000	$6,654,000	$7,702,000
G&A	$1,385,000	$1,363,000	$1,400,000	$1,400,000
EBITDA (US$)	**$2,984,000**	**$3,017,000**	**$5,254,000**	**$6,302,000**

COST ESTIMATE OF THE FALL 2019 CAPITAL PROGRAM ($US)

RANKING	PROJECT	COMMISSIONING	2019	2020	TOTAL
#1	Tioga LLC purchase (15%)	01-Dec-19	$750,000	$0	$750,000
#2	Tioga 2nd well (47%)	01-Jan-20	$963,500	$0	$963,500
#3	Epping 2nd well (32.5%)	01-Jan-20	$845,000	$0	$845,000
	Project Cost ($US)		**$2,558,500**		**$2,558,500**

To finance this program, the Company is pleased to announce that it is offering, on a non-brokered basis, up to 40,000,000 White Owl common shares at a price of $0.10 per share for gross proceeds of up to C$4 million. The financing has the support of some of our largest shareholders who have committed C$1.5 million to the offering. The first closing is anticipated to occur upon receipt of a minimum of C$2 million in proceeds, at which time the Company intends to proceed with the Tioga 15% LLC purchase and the drilling of the Tioga second well. Any shareholder interested in participating in or receiving more information about the offering should contact the Company and request the required documentation.

OUTLOOK

We believe that our operations will continue to perform well for the balance of 2019 as customer budgets have been committed, the rig count remains around 60 rigs and fracking activity is forecast to continue into December. This means that all White Owl's Class 2 SWDs will be running at close to combined capacity of over 60,000 barrels of water per day, including the rebuilt Watford City facility which, as mentioned above, is expected to commence operations in mid-October. Although business in Alberta is somewhat constrained due to external factors, the Clairmont facility continues to show improvements in operating performance and is forecast to be a contributor to income in 2020.

Following the fall 2019 capital program outlined above, we are also planning second wells at both the New Town and Watford City SWDS as well as the development of a sixth SWD facility at Blue Buttes subject to suitable capital being available. Together with White Owl's existing footprint in the Tier 1 Bakken areas, these developments are anticipated to grow shareholder value and provide White Owl with unique scale and capabilities across North Dakota. The water disposal network is strategically located in the core of the Bakken and is well-positioned to capture significant volume growth as produced water levels continue to rise alongside growing oil production.

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

Cautionary Statements:

This letter contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward looking statements") within the meaning of applicable securities laws. All statements other than statements of present or historical fact are forward looking statements. Forward looking information is often, but not always, identified by the use of words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may", "projected", "sustain", "continues", "strategy", "potential", "projects", "grow", "take advantage", "estimate", "well positioned" or similar words suggesting future outcomes. In particular, this letter contains forward looking statements relating to future opportunities, business strategies and competitive advantages. The forward-looking statements regarding White Owl Energy Services Inc. ("White Owl" or the "Corporation") are based on certain key expectations and assumptions of White Owl concerning anticipated financial performance, business prospects, strategies, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of labour and services and the ability to obtain financing on acceptable terms, all of which are subject to change based on market conditions and potential timing delays. Although management of White Owl considers these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect.

By their very nature, forward looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. Undue reliance should not be placed on forward looking statements, as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in the forward looking statements, including among other things: inability to meet current and future obligations; inability to implement White Owl's business strategy effectively for a number of reasons, including general economic and market factors, including business competition, changes in government regulations; access to capital markets; interest and currency exchange rates; commodity prices; technological developments; general political and social uncertainties; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation; timing and availability of external financing on acceptable terms; and lack of qualified, skilled labour or loss of key individuals. Readers are cautioned that the foregoing list is not exhaustive.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this letter are made as of the date of this letter and White Owl does not undertake and is not obligated to publicly update such forward looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

The information contained in this letter does not purport to be all-inclusive or to contain all information that a prospective investor may require. Prospective investors are encouraged to conduct their own analysis and reviews of White Owl and of the information contained in this letter. Without limitation, prospective investors should consider the advice of their financial, legal, accounting, tax and other advisors and such other factors they consider appropriate in investigating and analyzing White Owl.

Any financial outlook or future-oriented financial information, as defined by applicable securities legislation, has been approved by management of White Owl as of the date hereof. Such financial outlook or future-oriented financial information is provided for the purpose of providing information about management's current expectations and goals relating to the future of White Owl. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

White Owl uses terms within this letter, including, among others, "EBITDA", which terms do not have a standardized prescribed meaning under generally accepted accounting principles ("**GAAP**") and these measurements are unlikely to be comparable with the calculation of similar measurements of other entities. Prospective investors are cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with GAAP.

This letter does not constitute an offer to sell securities of the Corporation or a solicitation of offers to purchase securities of the Corporation. such an offer or solicitation will only be conducted in accordance with applicable securities laws and pursuant to an enforceable agreement of purchase and sale.