



March 25, 2020

REPORT TO OUR SHAREHOLDERS

To Our Shareholders,

We are pleased to provide you with the Audited Consolidated Financial Statements and Management's Discussion of Financial Results of White Owl Energy Services Inc. ("White Owl" or "the Corporation") for the three and twelve months ended December 31, 2019.

FOURTH QUARTER 2019 HIGHLIGHTS

The fourth quarter of 2019 was another strong quarter following a record Q3 2019. The Q4 2019 highlights are summarised as follows:

- EBITDA reached a record \$1,729,000, more than triple the EBITDA of \$526,000 in Q4 2018, and compared to EBITDA of \$2,048,000 in the prior quarter, Q3 2019.
- The Watford SWD Facility has been rebuilt with successful commissioning completed on October 21, 2019. The Corporation has also successfully concluded the insurance claim and recovered all amounts owing (subject to deductibles) for both lost income due to business interruption and reconstruction costs. This facility has been operating at between 75% and 85% of capacity since restart in October 2019.
- During the quarter, the Corporation's Ross, New Town, Tioga and Epping SWD Facilities in North Dakota operated at close to full capacity in response to strong oil and natural gas drilling and completion activity by area producers. The installation and rental of a temporary pump at the Ross SWD Facility has increased disposal capacity and fluid volumes disposed have increased by 30% to 40% since late Q3 2019 at this site.
- North Dakota recovered oil volumes sold and the oil sales revenue per barrel, or the realised oil netback price, increased 171% and 12%, respectively, in Q4 2019 over Q4 2018, resulting in North Dakota oil revenues tripling to \$991,000 in Q4 2019 from \$327,000 in the prior year quarter.
- North Dakota volumes disposed and average price for fluid disposal (trucked water, pipeline water and flowback) increased 17% and 15%, respectively, in Q4 2019 compared to Q4 2018, resulting in fluid disposal revenues increasing 33% to \$3,786,000 from \$2,855,000 over the same periods.
- Q4 2019 was another strong quarter for the Corporation's new Alexander Class 1 Facility as it contributed operating income of \$153,000 in response to the continuation of a successful marketing program initiated at the beginning of the year. White Owl has now grown its Class 1 customer base to eleven.
- In Q4 2019, the Corporation shut-in the existing water disposal wells at the Clairmont Processing and Disposal facility as downhole pressures have exceeded allowable limits. White Owl is planning a long-term water solution to recompleat an existing water disposal well in 2020 into a deeper geological formation (the Belloy), with funding provided from proceeds of the November 2019 private placement.

YEAR ENDED DECEMBER 31, 2019 HIGHLIGHTS

The highlights for the year ended December 31, 2019 are summarised as follows:

- EBITDA increased 26% to \$4,734,000 from \$3,765,000 in 2018.
- In 2019, White Owl reduced the Corporation's term loan by 28% from \$14,730,000 (US \$10,797,694) at December 31, 2018 to \$10,543,000 (US \$8,117,653) at December 31, 2019. Subsequent to year end, on January 17, 2020, White Owl Ltd. entered into a release agreement with the vendor of Clairmont for a final repayment of \$300,000 to fully repay the remaining \$1,400,000 outstanding on the Vendor Note. As a result, with the term loan principal payments during 2019 and this settlement, the Corporation's total debt has decreased in Q1 2020 by 34% since December 31, 2018.
- The North Dakota fluid disposal and oil sales volumes reported do not recognize volumes for the Watford SWD Facility which was destroyed by fire in January 2019. To compensate for the lost revenues from Watford, the Corporation received \$2,274,000 in business interruption insurance recoveries for the year ended December 31, 2019, which are shown as a separate line-item below operating income and included in EBITDA and net loss in the table below.
- Even with the exclusion of Watford volumes for most of 2019, North Dakota recovered oil volumes increased 29%, especially at the Ross (up 50% year-over-year) and New Town (up 44% year-over-year) SWD Facilities. This increase in recovered oil volume sales more than offset a 11% decrease in the year-over-year realized netback oil price.
- The North Dakota average price for fluid disposal (trucked, piped water and flowback) increased 4% in 2019 compared to 2018. Trucked and flowback water pricing per barrel increased 5% and 24%, respectively, year-over-year due to price increases implemented in Q4 2018, while pipeline water pricing per barrel decreased 16% in accordance with contractual requirements. In 2019, the realized netback price for oil decreased 11% compared to 2018.
- The Epping and Alexander facilities contributed positive operating income in 2019 compared to negative contributions in 2018.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the three and twelve months ended December 31, 2019, the following table of Financial and Operational Highlights relating to North Dakota operations does not recognise volumes, revenues and expenses for the Watford SWD Facility from the date of the fire on January 17, 2019 until recommissioning on October 21, 2019. However, the business interruption insurance recovery amounts which replace lost income are recognised as a separate line item below operating income and included in EBITDA and net loss.

(\$000's, unless otherwise noted)	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	%	2019	2018	%
North Dakota operations						
Disposal volumes (Bbls)	4,418,935	3,782,364	17%	13,246,977	14,247,468	-7%
Recovered oil sales volumes (Bbls)	17,211	6,353	171%	52,934	40,901	29%
Disposal revenue (\$ per Bbl)	\$0.86	\$0.75	15%	\$0.86	\$0.72	19%
Oil sales revenue (\$ per Bbl)	\$57.55	\$51.45	12%	\$61.11	\$68.55	-11%
Operating costs and royalties (\$ per Bbl)	\$0.60	\$0.55	9%	\$0.74	\$0.50	48%

Financial and operating results (continued)

(\$000's, unless otherwise noted)	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	%	2019	2018	%
North Dakota disposal and services revenue						
Disposal revenue	\$3,786	\$2,855	33%	\$11,374	\$10,281	11%
Oil sales revenue	991	327	203%	3,235	2,804	15%
Other revenue	104	148	-30%	473	422	12%
Total revenue – North Dakota	4,881	3,330	47%	15,082	13,507	12%
Operating costs	(2,647)	(2,082)	27%	(9,795)	(7,189)	36%
Operating income – North Dakota^{(1) (2)}	\$2,234	\$1,248	79%	\$5,287	\$6,318	-16%
Alberta operations⁽²⁾						
Volumes (Bbls)						
Disposal and third-party processing	209,181	204,961	2%	1,092,198	787,045	39%
Oil and gas	-	4,714	-	1,856	18,109	-90%
Revenue						
Disposal and third-party processing	\$407	\$424	-4%	\$1,762	\$1,549	14%
Oil and gas sales	-	171	-	99	1,066	-91%
Total revenue - Alberta	407	595	-32%	1,861	2,615	-29%
Operating costs	(418)	(733)	-43%	(2,072)	(2,859)	-28%
Operating loss - Alberta⁽²⁾	(\$11)	(\$138)	-92%	(\$211)	(\$244)	-14%
Combined operations						
Oilfield disposal and processing revenue	\$5,185	\$3,606	44%	\$16,371	\$14,634	12%
Oil and gas sales	-	171	-	99	1,066	-91%
Other revenue	104	148	-30%	473	422	12%
Total revenue	5,289	3,925	35%	16,943	16,122	5%
Operating costs	(3,073)	(2,815)	9%	(11,867)	(10,048)	18%
Operating income^{(1) (2)}	2,216	1,110	100%	5,076	6,074	-16%
General and administrative expenses ("G&A")	(848)	(584)	45%	(2,616)	(2,309)	13%
Insurance recovery – business interruption (Note 5)	361	-	100%	2,274	-	100%
EBITDA^{(1) (2)}	\$1,729	\$526	229%	\$4,734	\$3,765	26%
Other income and expenses						
Depreciation and depletion	(507)	(612)	-17%	(1,803)	(2,206)	-18%
Impairment	(2,403)	-	100%	(7,148)	-	100%
Finance costs	(242)	(324)	-25%	(1,241)	(1,454)	-15%
Share-based payments	(9)	(24)	-63%	(58)	(129)	-55%
Foreign exchange (losses) gains	106	(226)	147%	138	(376)	137%
Loss on settlement of promissory notes – net	-	-	-	-	(142)	-
Loss on disposal of property, plant and equipment - net	-	-	-	(4)	(133)	-97%
Loss on abandonment	(4)	-	100%	(83)	(43)	93%
Insurance recovery – property damage (Note 5)	799	-	100%	4,823	-	100%
Net loss	(\$531)	(\$660)	-20%	(\$642)	(\$718)	-11%

⁽¹⁾ North Dakota operations do not recognise volumes, revenues and expenses for Watford SWD Facility 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.



Q4 2019 was another strong quarter for White Owl with EBITDA recorded of \$1,729,000, more than triple the Q4 2018 EBITDA of \$526,000. For the twelve months ended December 31, 2019, EBITDA increased 26% to \$4,734,000 from \$3,765,000 in 2018 as the North Dakota facilities recorded increased fluid disposal and oil sales volumes. Importantly, the second half of 2019 was a breakthrough period for the Corporation's new Alexander Class 1 Facility which contributed operating income of \$477,000 in the six-month period in response to a successful marketing program for this new business line over the first half of 2019.

Combined total revenue (North Dakota and Alberta) for the three months ended December 31, 2019 increased by 35% to \$5,289,000 from \$3,925,000 in Q4 2018 and does not include Q4 2019 Watford SWD Facility business interruption insurance recoveries of \$361,000 which are recorded as a separate line item below operating income. Combined operating costs increased 9% for the three months ended December 31, 2019. In Q4 2019, North Dakota operating costs increased 27% to include costs for the Epping and Alexander SWD Facilities, while Alberta operating costs decreased 43% due to the shutting-in of the oilfield in February 2019.

For the twelve months ended December 31, 2019, combined total revenue (North Dakota and Alberta) increased by 5% to \$16,943,000 from \$16,122,000 in 2018 and does not include Watford SWD Facility business interruption insurance recoveries of \$2,274,000 for the twelve months ended December 31, 2019, which are recorded as a separate line-item below operating income and included in EBITDA and net loss. Combined operating costs increased 18% for the year ended December 31, 2019 compared to 2018 mainly due to Alexander and Epping operating costs included in 2019 results and due to unusual expenses totalling \$902,000 (relating to both North Dakota and Alberta operations) which were recorded in the first six months of 2019. These unusual expenses comprise \$485,000 for insurance deductibles relating to the Watford SWD Facility fire and the Clairmont pipeline leak (repaired in Q1 2019), \$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 SWD Facilities.

North Dakota

Volumes:

For the three months ended December 31, 2019, fluid disposal volumes (trucked, pipeline, flowback water and Class 1 water) increased 17% to 48,032 barrels per day from 41,113 barrels per day in Q4 2018. These volumes include 619 barrels per day in Q4 2019 and 83 barrels per day in Q4 2018 for the newly constructed Alexander Class 1 Facility which began meaningful disposal operations in the second half of the year. For the year ended December 31, 2019, fluid disposal volumes decreased 7% mainly due to the exclusion of Watford SWD Facility volumes during the nine-month reconstruction period, for which the Corporation fully recovered the lost income under its insurance program.

For the three months ended December 31, 2019, North Dakota oil sales volumes increased 171% to 17,211 barrels from 6,353 barrels in Q4 2018, with the Ross and New Town SWD Facilities accounting for 89% of recovered oil sales volumes in Q4 2019 and 86% in Q4 2018. Increased producer drilling and completion activity in the region led to more than a five-fold increase in oil sales volumes at the Ross SWD Facility and a 48% increase at the New Town SWD Facility in Q4 2019 compared to Q4 2018. For the twelve months ended December 31, 2019, North Dakota oil sales volumes increased 29% to 52,934 barrels from 40,901 barrels in Q4 2018, with the Ross and New Town SWD Facilities accounting for 89% and 79% of recovered oil sales volumes, respectively.



Operating Income:

For the three months ended December 31, 2019, North Dakota operating income increased 79% to \$2,234,000 from \$1,248,000 in Q4 2018 due to the higher fluid disposal volumes and the significantly higher recovered oil volume sales. In addition, the Corporation recorded \$361,000 of business interruption insurance recovery proceeds which is shown as a separate line-item and included in EBITDA.

For the twelve months ended December 31, 2019, North Dakota operating income totaled \$5,287,000 from all facilities except the Watford SWD Facility. Including business interruption insurance recovery proceeds for the year of \$2,274,000 results in total North Dakota operating income of \$7,561,000 compared to operating income of \$6,318,000 for the year ended December 31, 2018, an increase of 20% year-over-year.

Revenue and Pricing:

For the three months ended December 31, 2019, North Dakota total revenue increased by 47% to \$4,881,000 from \$3,330,000 in Q4 2018, as the recently constructed Alexander and Epping SWD Facilities contributed revenue of \$425,000 and \$251,000, respectively, in Q4 2019 versus \$20,000 and \$128,000, respectively, in Q4 2018. In addition, the 171% increase in recovered oil sales volume in Q4 2019, combined with a 12% increase in the realized oil netback price resulted in a three-fold increase in recovered oil revenues to \$991,000 from \$327,000 in Q4 2018. Revenues from fluid disposal services increased 33% to \$3,786,000 in Q4 2019 from \$2,855,000 in Q4 2018, while the average revenue per barrel disposed increased 15% to \$0.86 per barrel from \$0.75 per barrel in Q4 2018. The increase in the average price per barrel is mainly due to the inclusion in Q4 2019 of significantly higher Alexander Class 1 water volumes which attract considerably higher disposal fees.

For the year ended December 31, 2019, total North Dakota revenues increased 12% to \$15,082,000 from \$13,507,000 in 2018 with Alexander and Epping contributing revenue of \$1,035,000 and \$912,000 in 2019, respectively, and due to higher recovered oil revenues. Total revenue from 2019 fluid disposal increased 11% to \$11,374,000 while total recovered oil revenues increased 15% to \$3,235,000. The increase in the average price per barrel to \$0.86 from \$0.72 is mainly due to the inclusion of higher priced Alexander Class 1 revenues and due to price increases implemented by the Corporation in late 2018.

Other revenue increased to \$473,000 for the year ended December 31, 2019 compared to \$422,000 for 2018 due to administrative fees received for managing the Epping Joint Venture for a full twelve months in 2019 compared to a partial year in 2018.

In addition, for the year ended December 31, 2019, the Company recovered \$2,274,000 for the Watford SWD Facility under its business interruption insurance program as previously mentioned, which amount is shown as a separate line-item below operating income and included in EBITDA and net loss in the above table.

Operating Costs:

For the three and twelve months ended December 31, 2019 operating costs increased by 27% to \$2,647,000 and by 36% to \$9,795,000, respectively, mainly due to operating costs attributable to the Alexander and Epping SWD Facilities which were commissioned in Q4 2018 and due to unusual expenses of \$812,000 recorded in the first half of 2019 and relating to North Dakota operations. These unusual expenses include total insurance deductibles of \$395,000 for the Watford SWD Facility, \$193,000 for clean-out of the tanks at the Ross SWD Facility (a one in approximately three-year event), \$131,000 for well workover costs at the Epping SWD Facility and \$93,000 for commissioning of the newly constructed Alexander and Epping facilities.



Please see “Operating Locations” on page 7 of this Shareholder Letter for details of volumes and operating income by facility.

Alberta

In Alberta, the Corporation’s Clairmont Facility generates revenues from emulsion processing, oil blending and water disposal (collectively, “disposal and third-party processing”).

In February 2019, the Corporation’s associated oil and gas wells that are pipeline connected to the Clairmont Facility were permanently shut-in following a pipeline leak which has now been repaired and the contaminated soil fully remediated. As a result, the Corporation’s Alberta oil and gas sales revenue decreased to \$99,000 for the year ended December 31, 2019 compared to \$1,066,000 for the year ended December 31, 2018.

Following the shut-in of the oilfield in February 2019, three water injection wells that were part of the Enhanced Oil Recovery scheme were re-permitted as water disposal wells allowing the Corporation to successfully increase third-party water disposal activities in addition to disposing of water from third-party emulsion processing customers. However, the disposal wells can no longer accept water as downhole pressures have exceeded allowable limits and in December 2019 the wells were shut-in and will remain shut-in until pressures fall below allowable levels. To provide a long-term water disposal solution at Clairmont, the Corporation intends to recompleting an existing disposal well into the Belloy formation and this work is scheduled for the summer of 2020, with funding provided from proceeds of the November 2019 private placement.

For the three and twelve months ended December 31, 2019, total revenue from Clairmont operations including disposal and third-party processing plus oil and gas decreased 32% to \$407,000 and 29% to \$1,861,000, respectively, compared to \$595,000 and \$2,615,000, respectively, in 2018. With the February 2019 oilfield shut-in, total operating costs decreased by 43% to \$418,000 and 28% to \$2,072,000 for the three and twelve months ended December 31, 2019, respectively, compared to the previous year comparable periods.

As a result, the Alberta operating loss totaled \$11,000 for Q4 2019 compared to an operating loss of \$138,000 in Q4 2018. The reduced loss is mainly due to the success of the third-party water disposal business in 2019 which was suspended in December 2019. To reactivate the third-party water disposal business will require the recompleting of another disposal well into a different formation in 2020 (“Belloy”). For the twelve months ended December 31, 2019, Alberta operations resulted in an operating loss of \$211,000 compared to an operating loss of \$244,000 for the year ended December 31, 2018 due to continuing fixed operating costs associated with the shut-in oilfield and the shutting-in of the water disposal well.

Until such time as the planned reconfiguration, upgrade and expansion program of the facility is complete, Clairmont operations are not expected to contribute significantly to the Company’s operating income. Activities are now focused on recompleting a Belloy water disposal well along with continued efforts to reduce fixed costs associated with the shut-in oilfield.



OPERATING LOCATIONS (dollar amounts in USD except Clairmont):

New Town

New Town Facility (amounts in USD except volumes)

		<u>Q4 2019</u>	<u>Q4 2018</u>	<u>Change</u>	<u>Full Year YTD 2019</u>	<u>Full Year YTD 2018</u>	<u>Change</u>
Production Water - Trucked	b/d	14,879	13,914	7%	15,230	13,298	15%
Flowback	b/d	723	400	81%	737	1,257	-41%
Total Fluids Disposed	b/d	15,602	14,314	9%	15,967	14,555	10%
Oil Sales	b/qtr, yr	5,409	3,667	48%	26,361	18,352	44%
Revenue							
Production Water - Trucked		\$768,867	\$697,470	10%	\$3,094,850	\$2,485,297	25%
Price for Production Water/bbl		0.56	0.54	3%	0.56	0.51	9%
Flowback		93,157	49,476	88%	421,703	470,288	-10%
Price for Flowback/bbl		1.40	1.34	4%	1.57	1.03	53%
Recovered Oil		237,458	141,404	68%	1,230,126	967,295	27%
Price for Oil/bbl		43.90	38.56	14%	46.66	52.71	-11%
Total Revenue		1,099,482	888,349	24%	4,746,679	3,922,880	21%
Total Revenue/bbl.		\$0.77	\$0.67	14%	0.81	0.74	10%
Operating Expenses		640,932	550,154	17%	2,543,335	2,287,306	11%
Operating Income		\$458,550	\$338,195	36%	\$2,203,344	\$1,635,574	35%

Volumes:

For the three and twelve months ended December 31, 2019, the New Town SWD Facility operated at near full capacity with total fluids disposed (production water and flowback) increasing 9% to 15,602 barrels per day in Q4 2019 over Q4 2018, and increasing 10% to 15,967 barrels per day for the year ended 2019 compared to 2018. While production water volumes increased 15% to 15,230 barrels per day for the year ended December 31, 2019 compared to the prior year, flowback volumes decreased 41% to 737 barrels per day as plant capacity was filled with production water due to customer commitments. Although the oil content is lower in production water than in flowback, oil volumes recovered rose significantly with Q4 2019 oil volumes increasing 48% to 5,409 barrels compared to Q4 2018, and increasing 44% to 26,361 barrels for the year ended December 31, 2019 compared to the prior year. The higher volumes were partially due to marketing efforts focused on getting the initial production from a well (first production after flowback) as this production has a high oil content.

Operating Income:

For the year ended December 31, 2019, the New Town SWD Facility generated strong results, contributing 58% of White Owl's consolidated operating income, compared to 35% in 2018.

For the three months ended December 31, 2019, operating income for New Town increased 36% to \$458,550 from \$338,195 in Q4 2018 due to higher recovered oil volume sales (up 48%) and higher total fluids disposed (up 9%). In addition, the realised netback oil price and the average price of disposal fluids increased 14% and 3%, respectively, in Q4 2019 compared to Q4 2018. For the twelve months ended December 31, 2019, operating



income increased 35% to \$2,203,344 from \$1,635,574 in 2018 as recovered oil volumes sold and total fluids disposed increased 44% and 10%, respectively, year-over-year.

Revenues and Pricing:

For the three months ended December 31, 2019, total New Town revenues increased 24% to \$1,099,482 due to higher production water, flowback and oil volumes as well as stronger pricing. Production water revenues increased 10% in Q4 2019 compared to Q4 2018 as volumes increased 7% in combination with a 3% price increase, while flowback revenues increased 88% as volumes increased 81% and pricing increased 4% over the same periods. Recovered oil revenues increased 68% to \$237,458 in Q4 2019 compared to Q4 2018 due to both increases in volumes (up 48%) and the average realized netback oil price (up 14%).

For the twelve months ended December 31, 2019, total New Town revenues increased 24% to \$4,746,679 compared to \$3,922,880 in 2018 due to higher fluid volumes disposed (up 10%), recovered oil volumes (up 44%) and higher pricing for both production water and flowback which more than offset a lower realized netback oil price year-over-year. Production water revenues for 2019 increased 25% to \$3,094,850 compared to 2018 as volumes increased 15% combined with a 9% price increase, while recovered oil revenues increased 27% to \$1,230,126 as oil sales volumes increased 44% which more than offset a 11% decrease in the realized netback oil price. Flowback revenues for 2019 decreased 10% over 2018 as a 41% decline in flowback volumes was mostly offset by a 53% increase in flowback pricing. The increase in flowback pricing is due to price increases implemented in Q4 2018 and the inclusion of fresh water volumes caused by area flooding, for which White Owl was able to charge higher prices.

Operating Costs:

Operating costs increased 17% in Q4 2019 compared to Q4 2018 mainly due to the increase in fluid volumes disposed (up 9%) and increased repairs and maintenance. For the year ended December 31, 2019, operating costs increased 11%, matching the 10% increase in fluid disposal volumes and also due to higher insurance costs and repairs and maintenance.

Watford City

The Watford SWD Facility has been successfully rebuilt after the fire on January 17, 2019 with commissioning completed on October 21, 2019. In 2020 to date fluid disposal volumes are at 75 to 85% of capacity.

Under the Company's insurance program, all reconstruction costs and the loss of income over the nine-month reconstruction period have been fully reimbursed. For the three and twelve months ended December 31, 2019, the Company recorded business interruption insurance recovery amounts of \$361,000 (US \$272,000) and \$2,274,000 (US \$1,704,000), respectively, which amounts are recorded as a separate line item below operating income and included in EBITDA and net loss.

Ross

Ross Facility (amounts in USD except volumes)

		<u>Q4 2019</u>	<u>Q4 2018</u>	<u>Change</u>	<u>Full Year</u> <u>YTD 2019</u>	<u>Full Year</u> <u>YTD 2018</u>	<u>Change</u>
Production Water - Trucked	b/d	13,285	7,227	84%	8,377	5,002	67%
Flowback	b/d	1,387	402	245%	1,307	1,047	25%
Total Fluids Disposed	b/d	14,672	7,629	92%	9,684	6,049	60%
Oil Sales	b/qtr, yr	9,982	1,793	457%	20,793	13,879	50%
Revenue							
Production Water - Trucked		\$611,115	\$329,116	86%	\$1,527,905	\$904,312	69%
Price for Production Water/bbl		0.51	0.51	1%	0.50	0.50	1%
Flowback		161,300	32,419	398%	556,879	371,014	50%
Price for Flowback/bbl		1.29	0.90	44%	1.17	0.97	20%
Recovered Oil		432,959	69,548	523%	944,551	738,595	28%
Price for Oil/bbl		43.37	38.79	12%	45.43	53.22	-15%
Total Revenue		1,205,374	431,083	180%	3,029,335	2,013,921	50%
Total Revenue/bbl.		0.91	0.63	45%	0.86	0.91	-6%
Operating Expenses		509,595	259,337	96%	1,719,257	901,160	91%
Operating Income		\$695,779	\$171,746	305%	\$1,310,078	\$1,112,761	18%

Volumes:

Over the second half of 2019 both fluid disposal and oil sales volumes at the Ross SWD Facility increased significantly compared to the first half of the year, mainly due to the ramp-up of drilling and completion activity by three area producers.

Total fluids disposed (production water and flowback) increased 92% to 14,672 barrels per day in Q4 2019 over Q4 2018 and increased 60% to average 9,684 barrels per day for the year ended 2019 compared to 2018. Production water volumes increased 67% to 8,377 barrels per day for the year ended December 31, 2019 compared to the prior year, while flowback volumes increased 25% to 1,307 barrels per day. Importantly, although the oil content is lower in production water than in flowback, oil volumes recovered rose dramatically with an almost six-fold increase in Q4 2019 to 9,982 barrels from 1,793 barrels in 2018, and increasing 50% to 20,793 barrels for the year ended December 31, 2019 compared to 13,879 barrels in the prior year.

Operating Income:

For the year ended December 31, 2019, the Ross SWD Facility generated strong results, contributing 34% of White Owl's consolidated operating income, compared to 24% in 2018.

For the three months ended December 31, 2019, operating income for Ross increased four-fold to \$695,779 from \$171,746 in Q4 2018 not only due to the aforementioned increased volumes but also due to increased pricing as a result of a price increase for flowback implemented effective July 2019 and a higher realized netback oil price. For the twelve months ended December 31, 2019, operating income increased 18% to \$1,310,078 from \$1,112,761 in



2018 due to the increased volumes and higher pricing for fluids disposal, partly offset by a lower realized netback oil price (down 15% year-over-year).

Revenues and Pricing:

For the three months ended December 31, 2019, total Ross revenues increased 180% to \$1,205,374 due to both higher production water, flowback and oil volumes as well as stronger pricing. Production water revenues increased 86% in Q4 2019 compared to Q4 2018 as volumes increased 84% in combination with an increase of about 1% in pricing, while flowback revenues increased five-fold as volumes more than tripled and pricing increased 44% over the same periods, due to the previously mentioned price increase in July 2019. Recovered oil revenues increased six-fold to \$432,959 in Q4 2019 compared to Q4 2018 due to volume increases (an almost six-fold increase over Q4 2018) and an increase in the average realized netback oil price (up 12%).

For the twelve months ended December 31, 2019, total Ross revenues increased 50% to \$3,029,335 compared to \$2,013,921 in 2018 due to higher fluid volumes disposed (up 60%), recovered oil volumes (up 50%) and higher pricing for both production water and flowback which more than offset a lower realized netback oil price. Production water revenues for 2019 increased 69% to \$1,527,905 compared to 2018 as volumes increased 67% combined with a 1% price increase, while recovered oil revenues increased 28% to \$944,551 as oil sales volumes increased 50% which more than offset a 15% decrease in the realized netback oil price. Flowback revenues for 2019 increased 50% to \$556,879 over 2018 as a 25% increase in flowback volumes combined with a 20% increase in flowback pricing, as discussed above.

Operating Costs:

For the three and twelve months ended December 31, 2019, operating costs increased 96% and 91%, respectively, compared to the comparable 2018 periods mainly due to the increase in fluid volumes disposed, as well as due to increased repairs and maintenance, equipment rental and insurance expenses. In addition, tank clean-out costs of \$193,000 were incurred in Q1 2019 as well as installation and rental costs in Q2 2019 to install a temporary pump, in order to increase injection capacity by approximately 5,000 barrels per day. Since the new pump was installed, fluid volumes disposed at Ross have increased by approximately 30% to 40% since late Q3 2019.

Remainder of Page Intentionally Left Blank



Tioga SWD JV

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

		Q4 2019	Q4 2018	Change	YTD 2019	YTD 2018	Change
Production Water-Trucked	b/d	5,624	7,943	-29%	6,007	8,860	-32%
Production Water-Piped	b/d	10,087	5,408	87%	9,444	4,911	92%
Flowback	b/d	6	746	-99%	89	237	-62%
Total Fluids Disposed	b/d	15,718	11,121	41%	15,540	14,009	11%
Oil Sales	b/qtr,yr	3,458	1,380	151%	8,762	8,282	6%
Revenue							
Production Water - Trucked		\$99,353	\$132,802	-25%	\$420,953	\$533,225	-21%
Price for Prodn. Water-Trucked/bbl		0.60	0.57	6%	0.60	0.52	16%
Production Water - Piped		154,427	119,421	29%	575,072	430,240	34%
Price for Prodn. Water Piped/bbl		0.52	0.75	-31%	0.52	0.75	-30%
Flowback		356	34,671	-99%	20,122	40,403	-50%
Price for Flowback/bbl		1.99	1.58	26%	1.93	1.46	33%
Recovered Oil		46,706	16,660	180%	125,735	138,940	-10%
Price for Oil/bbl		42.21	37.73	12%	44.85	52.43	-14%
Total Revenue		300,842	303,553	-1%	1,141,882	1,142,808	0%
Total Revenue/bbl.		0.65	0.93	-30%	0.63	0.70	-10%
Operating Expenses		135,108	100,810	34%	531,729	443,663	20%
Operating Income		\$165,734	\$202,743	-18%	\$610,152	\$699,145	-13%

For the twelve months ended December 31, 2019, White Owl has a 32% working interest in the Tioga SWD Joint Venture ("Tioga JV"). The discussion below is based on total volumes for the facility while the financial information represents White Owl's 32% interest in the Tioga JV. Effective, January 1, 2020, White Owl acquired an additional 15% working interest in the Tioga SWD facility, bringing the Corporation's total working interest in the Tioga Joint Venture to 47%; this acquisition was funded from proceeds of the private placement of common shares completed in November 2019.

Volumes:

The Tioga SWD Facility has been operating at near its capacity of 16,000 barrels per day with total fluids disposed up 41% to 15,718 barrels per day (gross) in Q4 2019 compared to Q4 2018, and up 11% to 15,540 barrels per day (gross) for the twelve months ended December 31, 2019 compared to the prior year.

Production water received by pipeline has increased by 87% and 92% for the three and twelve months ended December 31, 2019, respectively, displacing trucked production water and flowback water, as the producer who owns the pipeline has been sending more water to the facility. In 2019, pipeline production water accounted for 61% of total fluid volumes disposed compared to 35% in 2018. Although the oil content in pipeline production water is lower than in trucked-in production water and flowback, recovered oil volumes sold have increased by 151% to 1,107 barrels (net to White Owl's 32% working interest) and 6% to 2,804 barrels (net) for the three and twelve months ended December 31, 2019, respectively, compared to the same periods in 2018.



Operating Income:

Q4 2019 operating income for White Owl's net interest in the Tioga SWD Facility decreased 18% to \$165,734 from \$202,743 in Q4 2018 and decreased 13% to \$610,152 from \$699,145 for the twelve months ended December 31, 2019, mainly due to the displacement of higher priced trucked water and flowback with lower priced pipeline production water and higher operating costs. The price of pipeline production water was reduced in Q1 2019 pursuant to contractual requirements as discussed further below.

Revenues and Pricing:

For the three and twelve months ended December 31, 2019, White Owl's share of Tioga revenue remained flat at \$300,842 and \$1,141,882, respectively, compared to \$303,553 and \$1,142,882, respectively, in the corresponding 2018 periods.

The decrease in trucked water volumes due to the aforementioned displacement was only partly mitigated by price increases of 6% and 16% for the three and twelve months ended December 31, 2019, respectively. As a result, trucked water revenues decreased 25% and 21%, respectively, for the three and twelve months ended December 31, 2019, respectively, compared to the corresponding 2018 periods.

The higher proportionate share of pipeline water volumes combined with a reduction in pricing resulted in pipeline water revenues increasing 29% and 34% for the three and twelve months ended December 31, 2019, respectively. The decrease in the price per barrel for pipeline production water is contract-based whereby the original price included a capital recovery component which resulted in an above-market price until a specific volume of pipeline production water was disposed. This volume was reached in Q1 2019 which then resulted in the price returning to a market-rate.

Operating Costs:

Operating costs for the three and twelve months ended December 31, 2019, increased 34% and 20%, respectively, mainly due to higher variable costs from the increased fluid disposal volumes, increased rates for utilities, and higher chemical and equipment repair costs.

Remainder of Page Intentionally Left Blank



Epping SWD JV

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

		Q4 2019	Q4 2018	Change	YTD 2019	YTD 2018	Change
Production Water-Trucked	b/d	1,960	455	331%	3,337	115	2810%
Production Water-Piped	b/d	6,243	4,209	48%	3,589	1,194	201%
Flowback	b/d	5	35	-86%	209	9	2274%
Total Fluids Disposed	b/d	8,208	4,699	75%	7,136	1,318	442%
Oil Sales	b/qtr, yr	2,194	0	100%	8,504	0	100%
Revenue							
Production Water-Trucked		\$35,171	\$8,163	331%	\$237,548	\$8,163	2810%
Price for Production Water/bbl		0.60	0.60	0%	0.60	0.60	0%
Production Water-Piped		121,318	81,800	48%	276,771	92,082	201%
Price for Production Water/bbl		0.65	0.65	0%	0.65	0.65	0%
Flowback		231	1,666	-86%	42,419	1,666	2447%
Price for Flowback/bbl		1.60	1.59	1%	1.71	1.59	7%
Recovered Oil		33,386	0	100%	130,618	0	100%
Price for Oil/bbl		46.82	0.00	100%	47.26	0.00	100%
Total Revenue		190,106	91,628	107%	687,356	101,910	574%
Total Revenue/bbl.		0.77	0.65	19%	0.81	0.87	-7%
Operating Expenses		110,748	\$145,022	-24%	621,187	171,301	263%
Operating Income		\$79,358	-\$53,394	249%	\$66,169	-\$69,391	195%

The Epping SWD Facility was constructed in 2018 and began accepting pipeline water through temporary pump facilities in September of 2018. Therefore, there are no material year-to-date 2018 comparative numbers for volumes, revenues and expenses. White Owl has a 32.5% working interest in the Epping SWD Joint Venture ("Epping JV"). The discussion below is based on total volumes for the facility while the financial information represents White Owl's 32.5% interest in the Epping JV.

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. As at December 31, 2019, two locations for the second well have been permitted. A geologic assessment of the two well locations will be completed in Q1 2020 when the second well location will be selected and the project can proceed pending approvals from the partners.

Volumes:

The Epping SWD Facility has been operating at near its capacity of approximately 8,000 barrels per day with total fluids disposed of 8,208 barrels per day (gross) in Q4 2019 and 7,136 barrels per day (gross) for the twelve months ended December 31, 2019. This is a pipeline-connected facility with pipeline water volumes accounting for 76% and 50% of total fluid volumes in Q4 2019 and in the twelve months ended December 31, 2019, respectively. Based on the pipeline owner's forecast, we expect pipeline water as a proportion of total fluids to approximate Q4 2019 levels for 2020.



Operating Income:

Operating income for White Owl's net interest in the Epping SWD Facility totaled \$79,358 in Q4 2019 compared to an operating loss of \$53,394 in Q4 2018 (the first full operating quarter for this facility). Significantly, the month of December 2019 contributed \$44,159 of operating income due to high recovered oil sales. For the twelve months ended December 31, 2019, operating income totaled \$66,169 compared to an operating loss of \$69,391 in 2018.

Revenues and Pricing:

For the three and twelve months ended December 31, 2019, Epping revenues (net to White Owl) totaled \$190,106 and \$687,356, respectively.

Operating Costs:

Operating costs for the three and twelve months ended December 31, 2019, totaled \$110,748 and \$621,187, respectively. Operating costs in 2019 include well workover costs totaling \$131,000 in Q2 2019 and anticipated commissioning costs during the start-up phase in Q1 2019.

Alexander Class 1 Facility

Alexander Facility (Amounts in USD except volumes)							
		<u>Q4 2019</u>	<u>Q4 2018</u>	<u>Change</u>	<u>YTD 2019</u>	<u>YTD 2018</u>	<u>Change</u>
Production Water-Trucked	b/d	614	83	640%	406	21	1843%
Total Fluids Disposed	b/d	614	83	640%	406	21	1843%
Class 1 Water	b/qtr, yr	56,498	7,630	640%	148,240	7,630	1843%
Revenue							
Class 1 Water		\$322,029	\$15,266	2009%	\$783,676	\$15,266	5033%
Price for Class 1 Water		5.70	2.00	185%	5.29	2.00	164%
Total Revenue		322,029	15,266	2009%	783,676	15,266	5033%
Total Revenue/bbl.		5.70	2.00	185%	5.29	2.00	164%
Operating Expenses		206,094	81,178	154%	708,476	104,550	578%
Operating Income		\$ 115,935	\$ (65,912)	276%	\$ 75,200	\$ (89,284)	184%

To recap, 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. The Class 1 facility accepts non-hazardous industrial fluids (versus Class 2 disposal which is for non-hazardous 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.



Volumes:

We are now pleased to report that after an anticipated slow build-up of a customer base, the second half of the year has resulted in strong operating results with 148,240 barrels of Class 1 water disposed, an almost ten-fold increase over the 16,041 barrels disposed in the first half of the year. This is the result of a strong marketing effort during the first half of 2019 to make customers aware of the service, while regulators are also beginning to move to enforce the regulations around Class 1 disposal.

In December 2019, operating results at Alexander were impacted by a regulatory required annual fall-off test (to ensure the reservoir pressures are within permitted parameters). The execution of this test combined with the impact of cold weather on the operation (fresh water in freezing temperatures cannot be transported) led to downtime in the month with water volumes disposed decreasing to 11,941 barrels in December from 19,990 barrels in the previous month.

Operating Income:

The second half of 2019 recorded operating income of \$361,183 compared to an operating loss of \$285,983 in the first half of the year when White Owl was developing this new business as well as incurring commissioning costs in the first quarter of the year. As a result, the Alexander Facility recorded operating income of \$75,200 for the year ended December 31, 2019 with Q4 2019 contributing \$115,935 of this income.

Revenues and Pricing:

For the three and twelve months ended December 31, 2019, Alexander revenues totaled \$322,029 and \$783,676, respectively, while the average price per barrel was \$5.70 and \$5.29, respectively.

Operating Costs:

Operating costs for the three and twelve months ended December 31, 2019, totaled \$206,094 and \$708,476, respectively. Q4 2019 operating costs included \$66,000 for the aforementioned regulatory required annual fall-off test which was carried out in December 2019. For the twelve months ended December 31, 2019 operating costs include anticipated commissioning costs during the start-up phase in Q1 2019.

Canada - Clairmont Processing and Disposal Plant

For the year ended December 31, 2019, the Clairmont waste disposal and third-party processing facility ("Clairmont Midstream") generated revenue of \$1,761,000, an increase of 14% from \$1,549,000 in the prior year, as disposal and third-party processing volumes increased 39%.

Operating income for Clairmont Midstream increased 74% to \$428,000 for the year ended December 31, 2019 compared to \$246,000 in 2018. Contributing to the improved year-over-year performance of Clairmont Midstream was the increase in the third-party water disposal business in Q2 2019 when three oil wells in the accompanying oil field were recompleted as water disposal wells in order to capture an increased share of the water disposal business in the area. In Q4 2019, operating income for Clairmont Midstream increased 52% to \$88,000 from \$58,000 in Q4 2018 as the month of December recorded higher oil volume sales. However, as previously discussed, the water disposal wells had to be shut-in in December 2019, as downhole pressures have exceeded allowable limits. To provide a long-term water disposal solution at Clairmont, the Company intends to recomplete an existing disposal well in 2020 into the deeper Belloy formation to regain and increase local area third-party water disposal business.



Also as previously discussed, the associated oilfield was permanently shut-in in February 2019 due to the risk of future gathering line leaks and, therefore, there are no longer any producing oil wells at Clairmont. As a result, oil and gas production revenues were nil in Q4 2019 and decreased to \$99,000 for the twelve months ended December 31, 2019 from \$1,066,000 in 2018

Operating costs for oil and gas operations have also decreased since the oilfield was shut-in. In Q4 2019, oil and gas operations incurred an operating loss of \$105,000 compared to an operating loss of \$197,000 in Q4 2018, while for the year ended December 31, 2019, the operating loss for oil and gas operations totaled \$639,000 compared to \$490,000.

In Q4 2019, total Clairmont operations (disposal and third-party processing plus oil and gas production) incurred an operating loss of \$11,000 compared to an operating loss of \$138,000 in Q4 2018. For the year ended December 31, 2019, Clairmont incurred an operating loss of \$211,000 (Midstream operating income of \$428,000 less oil and gas operating loss of \$639,000) compared to an operating loss of \$244,000 in 2018 (Midstream operating income of \$246,000 less oil and gas operating loss of \$490,000).

DEVELOPMENT LOCATIONS

Blue Buttes: An injection-permit has been granted by 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 road and in the middle of the Tier 1 acreage in the Antelope field. The timing for development of this facility is subject to the availability of capital but management is targeting a 2021 startup date.

Additional Disposal Wells and/or Additional Injection Capacity: 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 and/or increased injection pumping capacity are needed at all locations. Permitting for a second disposal well at New Town, Tioga and Epping has been completed. In the case of Tioga, during Q2 2020, management is planning to increase the plant pumping capacity as the disposal well capacity is greater than the current injection capability. The timing for development of the Epping second well and the addition of injection capacity at Tioga are subject to the availability of capital but management is targeting a completion in the second half of 2020.

OPERATIONAL UPDATE

As highlights on the previous pages demonstrate, and the above summary shows, the strong results in Q4 2019 were a result of a general improvement in market conditions during 2019. Completion activity was strong in North Dakota resulting in increased flow back (up 83% over Q4 2018) and produced water volumes (up 14% over Q4 2018) with an associated increase in oil sales (up 171% over Q4 2018) while the recently commissioned Alexander Class 1 facility generated strong positive income.

Q1 2020 has started off strongly although we do expect a material softening of business towards the end of the quarter and into Q2 2020. Our concern is that weak oil prices will lead to reductions in 2020 capital programs. Since the beginning of March 2020, oil prices have declined materially, due to world oil over-supply fears which has been compounded by the prospect of a growing world economic slowdown as a result of the global COVID-19 virus.

In terms of improvements planned for the operating locations, there are several projects that will increase plant capacity and these developments will proceed subject to market conditions and as resources become available. At



Tioga, White Owl has increased its ownership from a 32% interest to a 47% interest in the plant through the exercise of its right to purchase a 15% interest from the White Owl Tioga LLC for US\$750,000. This purchase was effective January 1, 2020 and was funded by the November 2019 private placement proceeds.

At Tioga, the Company and its partners have plans to increase plant capacity from 15,000 barrels of water per day to 20,000 barrels per day by the addition of larger injection pumps. White Owl's share of this project cost will also be funded from the proceeds of the private placement. The project is on hold pending improvements in market conditions.

At Epping, White Owl and its partner have plans to drill a second well in 2020 to meet customer demand for more capacity at the plant. The first disposal well operates at a maximum capacity of approximately 8,000 barrels of water per day and at this level is marginally profitable. Although the plant capacity is insufficient for the current trucked and pipeline demand, the project is on hold pending confirmation of pipeline volume demand and improvements in market conditions.

At Ross the plant capacity was increased to 17,000 barrels of water per day through the addition of a rental pump and in 2020 this pump will be replaced with a permanent pump and filter installation, subject to financing and market conditions.

The New Town plant was an early acquisition by White Owl and the plant configuration and pump capacity is inadequate for the volumes being handled on a daily basis. The tank farm is poorly configured and needs to be re-engineered while the pump skids leak and need to be replaced with more reliable horizontal pumps. A second well has also been permitted for the plant.

At Watford City we have a new plant following reconstruction after the fire, however market demand in the area remains strong and a second well may be permitted, again pending market conditions.

At Clairmont in Alberta, the Corporation has planned the recompletion of an existing disposal well in 2020 into the deeper Belloy formation, to be funded from the balance of the private placement proceeds. There are also plans to continue the well abandonment program for the suspended oil wells with the aim of reducing the long term abandonment liability at Clairmont. Current market conditions have created uncertainty around demand for the plant services and management is reconsidering its options for this business.

CORPORATE MATTERS

On December 17, 2019, the Company held its Annual General Meeting of Shareholders and to align the interests of the common shareholders and preferred shareholders, Greg Bay and Riley Waite were added to the Board of Directors.

We are pleased to have Greg and Riley on the Board. We look forward to their contributions to White Owl's business plan and prospects.

Also, during the fourth quarter Warren Brown resigned his role as Vice President, Corporate Development and we thank Warren for his contribution and wish him well in the future.

In January of this year, Barry O'Brien assumed the role of Vice President Finance and Chief Financial Officer. Barry joined White Owl in March 2018 as Interim Chief Financial Officer.

On November 13, 2019, the Company raised equity capital through a non-brokered private placement offering of 17,650,000 common shares at a price of \$0.10 per share. Net proceeds totaled \$1,716,000 and are allocated to the



purchase of an additional 15% working interest in the Tioga plant, the funding of the planned capacity expansion of Tioga and the recompletion of the Belloy water disposal well at Clairmont.

During 2019, White Owl's term debt position continued to improve with the outstanding balance being reduced by 25% to US\$8,117,653 at December 31, 2019 from US\$10,797,694 at December 31, 2018. On the current amortisation schedule, this amount will be reduced to US\$6,677,000 by December 31, 2020.

OUTLOOK

During the first two months of 2020, business in North Dakota was strong and with the Watford City SWD now fully operational, gross disposal volumes company-wide averaged over 62,000 barrels of water per day compared to 52,000 barrels of water per day in 2019.

In light of the Covid-19 virus we are re-reviewing our 2020 budget. We expect business to soften in Q2 2020 as we anticipate that oil and gas producers may reduce capital programs in response to weak commodity prices. The affect of weak commodity prices on our markets is being compounded, by the prospect of a growing world economic slowdown due to the global Covid-19 virus. We are very aware of these global issues and the ever changing situation. Our focus at this time is on maintaining profitability in North Dakota while preserving cash and limiting any capital expenditures to investments required to address safety concerns and customer service.

White Owl's North Dakota customers include the major independent oil and gas companies in North America and these companies are self funding and tend to follow a longer-term business plan with drilling activity remaining stable throughout industry cycles. Our base business is primarily tied to oil production and our current forecast for 2020 financial performance is based on plant activity remaining steady throughout the first quarter of the year. However, over the next 90 days we expect a material decline in drilling activity and this will lead to a gradual decline in new wells coming on stream, along with a reduced demand for disposal capacity. Along with this expected reduction in volumes is the potential for lower flow back volumes and as a result, lower oil recoveries. Sales of recovered oil have historically been a significant contributor to our income and with lower oil prices comes a further reduction in income.

As we continue to monitor the impacts of recent events on our marketplace, we will continue to manage the business with a commitment to safety, reliability and customer service. In this time of volatility and change, we will need to be cautious and nimble to ensure our continuing success.

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.