



MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS

For the three months ended March 31, 2020

Management's Discussion of Financial Results ("MDFR") is provided to assist readers in the assessment of the results of operations, liquidity and capital resources of White Owl Energy Services Inc. ("White Owl" or the "Company" or the "Corporation") as at and for the three months ended March 31, 2020. White Owl is a private company and is not required to prepare and file Management's Discussion and Analysis ("MD&A") in accordance with regulatory requirements in Canada or the United States ("US"). **This MDFR does not constitute an MD&A for the purposes of Canadian or US securities laws and may not include all the information that might otherwise be required or expected thereunder.**

This MDFR is based on information available to May 27, 2020 and should be read in conjunction with White Owl's condensed consolidated interim financial statements as at and for the three months ended March 31, 2020, and the audited consolidated financial statements for the years ended December 31, 2019 and 2018. The financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts are stated in Canadian dollars unless otherwise noted.

CORPORATE OVERVIEW

White Owl is an oilfield service company that owns and operates midstream facilities in North Dakota and Alberta. In North Dakota, the Company is involved in the collection, processing and disposal of third-party oilfield fluids. In Alberta, White Owl operates a pipeline-connected terminalling, treating, blending and water disposal facility which was shut-in in April 2020 until commodity prices recover. The Company, through its expanding network of midstream facilities, is providing services to some of the largest independent oil and gas operators on the continent.

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

Operational Philosophy

Within its markets, the Company differentiates itself by:

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

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Key Business Components

Water disposal

In North Dakota, the Company operates five disposal facilities which accept operators' produced water and flowback from producers to be disposed through Company-operated Class 2 SWD facilities and a Class 1 facility that accepts non-hazardous industrial fluids such as pipeline test water, refinery wastewater, collected rainwater, and landfill leachate. Additional revenue is generated through the sale of crude oil recovered from the water disposal process. White Owl's Class 2 SWD operating facilities in North Dakota are located at New Town, Watford City, Ross, Tioga and Epping, the latter of which commenced operations in September 2018. The Class 1 facility is located at Alexander, North Dakota and commenced operations in November 2018.

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. Further expansion opportunities include second wells or the addition of injection capacity at Epping, Tioga, New Town and Watford City. Expansion investments have been deferred due to the onset of dramatically lower commodity prices beginning in the latter part of Q1 2020 (please see "ECONOMIC ENVIRONMENT" on Page 3).

Processing services

White Owl owns and operates a pipeline-connected oil processing and disposal facility at Clairmont ("Clairmont Facility"), in the heart of the Montney shale play development in the Grande Prairie area of northwest Alberta. Late in Q1 2020, market conditions in the Grande Prairie area have weakened considerably leading to the shutting-in of the Clairmont Facility in April 2020 until operating conditions improve.

FIRST QUARTER 2020 HIGHLIGHTS

The first quarter 2020 highlights may be summarised as follows:

- North Dakota operating income increased 252% to \$1,839,000 for the three months ended March 31, 2020 from \$523,000 in Q1 2019 due to a 14% increase in fluid volumes disposed, a 62% increase in recovered oil volume sales and a six fold increase in Class 1 water disposal volumes.
- For the three months ended March 31, 2020, EBITDA increased 148% to \$964,000 from \$389,000 in Q1 2019. The increase in EBITDA is mainly due to the volume increases as mentioned above.
- During the current quarter, the Corporation's New Town, Tioga and Epping SWD Facilities in North Dakota continued to operate at close to full capacity, while the Watford SWD Facility maintained disposal rates at approximately 75% of capacity since completion of reconstruction in October 2019. Water disposal volumes at the Ross SWD Facility increased 142% compared to Q1 2019.
- North Dakota fluid volumes disposed and average price per barrel for fluid disposal increased 60% and 4%, respectively, in Q1 2020 compared to Q1 2019, resulting in fluid disposal revenues increasing 68% to \$3,642,000 from \$2,173,000 over the same periods.
- North Dakota recovered oil volumes sold increased 104%, more than offsetting a 20% decrease in the realized oil netback price resulting in North Dakota oil revenues increasing 63% to \$789,000 in Q1 2020 from \$485,000 in the prior year quarter.
- The realized netback oil price, which is based on the West Texas Intermediate benchmark price ("WTI"), for the Corporation's recovered oil volume sales decreased significantly in March 2020 due to global oil supply concerns compounded by decreasing global oil demand amid the COVID-19 health pandemic. In March 2020, WTI averaged US \$30.45 per barrel, down from US \$50.54 per barrel in February and compared to US \$57.53 per barrel in January.
- In Q1 2020 the Corporation's Alexander Class 1 Facility disposed of 51,210 barrels compared to 7,654 barrels in Q1 2019 when the facility was in start-up mode. The increase in volumes was a result of

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growth in the customer base. Despite lower disposal fees in Q1 2020 due to competitive factors, operating income grew to \$20,000 compared to an operating loss of \$200,000 in Q1 2019.

- In Alberta, the Clairmont Facility incurred an operating loss of \$308,000 compared to an operating loss of \$137,000 in Q1 2019. The increased operating loss in the current quarter is due to the loss of the third-party water disposal business in December 2019, as previously reported. In April 2020, the Company has shut-in the Clairmont Facility until commodity prices recover to more sustainable levels.
- On January 17, 2020, White Owl Ltd. entered into a release agreement with the Clairmont vendor for a final payment of \$300,000 to fully repay the remaining \$1,400,000 outstanding on the Vendor Note.

ECONOMIC ENVIRONMENT

Commodity Prices and Disposal Volumes

Growing oversupply concerns in part caused by failed negotiations between the OPEC+ cartel and Russia and then compounded by significantly reduced global demand as a result of the COVID-19 health pandemic have led to dramatically lower oil prices late in Q1 2020. In March 2020, the benchmark West Texas Intermediate oil price (“WTI”) averaged US \$30.45 per barrel, down from US \$50.54 per barrel in February and compared to US \$57.53 per barrel in January.

In early April 2020, the benchmark WTI entered unprecedented, negative territory and has only modestly recovered to average US \$16.70 per barrel for the month. As a result, oil and gas producers across North America have significantly curtailed activity during this uncertain time. Many corporations’ capital expenditure budgets have been reduced and existing production has been choked back or shut-in, particularly by producers whose hedging programs are expiring. As of mid-May 2020, approximately one third of North Dakota’s daily oil production has been shut-in which has reduced White Owl’s daily water disposal volumes from an average of 47,976 barrels per day (“bpd”) in Q1 2020 to approximately 30,000 bpd in May 2020.

Financial Impact on White Owl

General

The current, unprecedented economic climate may have significant adverse effects on the Corporation including, but not limited to:

- Materially lower disposal volumes, revenues, operating income and cash flows;
- One-time restructuring charges. In April 2020, White Owl shut down the Clairmont Facility in Alberta until commodity prices recover to more sustainable levels, resulting in related costs totalling \$148,000 to be recorded in Q2 2020, including severance expenses. There may be further restructuring charges as the Corporation adapts should the economic downturn continue or worsen for a prolonged period of time;
- Further impairment charges to White Owl’s property, plant and equipment may be required, in addition to the amounts recorded in Q1 2020;
- Accounts receivable default.

Cost-Cutting Measures

White Owl has taken steps to reduce both field operating and office administrative costs in North Dakota and Alberta to alleviate the financial impact of lower volumes and revenues. Importantly, our cost cutting exercises are a continual process and we will be endeavouring to identify and add more savings as we proceed through this downturn. The following is a summary of the cost-cutting measures undertaken to date:

- Salary reductions of 10% for all employees;
- Reductions in field and office staffing personnel;

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- Increased accounts receivable monitoring;
- Continual requests of all suppliers to reduce the cost of materials, parts and services for the Corporation's operating facilities;
- Cancellation of all non-essential business travel;
- Office lease cost reductions;
- Reductions in other office expenses including stationery, photocopy usage costs, IT services and other supplies;
- Reductions in field staffing accommodation, coveralls, cleaning supplies, and
- Reductions received in hourly rates charged by certain professional service providers.

Liquidity Management

To maximize the Corporation's liquidity in this economic downturn, the Corporation has considered the following factors and undertaken the following:

- Cash Position:

White Owl entered this economic downturn in a solid cash position. As at March 31, 2020, White Owl's cash balance is \$1,365,000, after deduction of amounts drawn on the operating line of credit.

- Maintenance Capital:

In 2020 for the duration of this downturn, White Owl will reduce its maintenance capital program to necessary, safety-related projects only.

- Growth Capital:

Growth projects have been trimmed back to preserve cash with timing for these projects deferred to late 2020 and 2021 assuming economic conditions improve.

- Bank Debt:

For a limited period of time, effective April 30, 2020, the Corporation's lender is accepting interest only, reducing the monthly principal and interest blended payment of US \$186,650 to interest of US \$33,000 per month.

- Operating and General and Administrative Cost Savings:

Please refer to Cost-Cutting Measures above.

- Government Subsidy Programs:

White Owl has applied under three government assistance programs including wage subsidization. In Canada, the Corporation has applied under the Canadian Emergency Wage Subsidy and the Canadian Emergency Business Account programs and has received \$105,347 to date. In North Dakota, the Corporation has applied for a loan under the federal Payroll Protection Program and has received US \$356,810 which if used for salaries becomes a grant.

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR Q1 2020

For the three months ended March 31, 2020, the following table of Financial and Operational Highlights relating to North Dakota operations for the prior period does not recognise volumes, revenues and expenses for the Watford SWD Facility from the date of the fire on January 17, 2019 to March 31, 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 earnings for Q1 2019.

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(\$000's, unless otherwise noted)	Three months ended March 31,		
	2020	2019	%
North Dakota operations			
Disposal volumes (Bbls)	4,365,803	2,721,150	60%
Recovered oil sales volumes (Bbls)	16,361	8,019	104%
Disposal revenue (\$ per Bbl)	\$0.83	\$0.80	4%
Oil sales revenue (\$ per Bbl)	\$48.22	\$60.48	-20%
Operating costs and royalties (\$ per Bbl)	\$0.62	\$0.84	-26%
North Dakota disposal and services revenue			
Disposal revenue	\$3,642	\$2,173	68%
Oil sales revenue	789	485	63%
Other revenue	102	121	-16%
Total revenue – North Dakota	4,533	2,779	63%
Operating costs	(2,694)	(2,256)	19%
Operating income – North Dakota⁽¹⁾	\$1,839	\$523	252%
Alberta operations⁽²⁾			
Volumes (Bbls)			
Disposal and third-party processing	78,888	407,033	-81%
Oil and gas	-	3,909	-
Revenue			
Disposal and third-party processing	\$115	\$526	-78%
Oil and gas sales	-	98	-100%
Total revenue - Alberta	115	624	-82%
Operating costs	(423)	(761)	-44%
Operating loss - Alberta⁽¹⁾	(\$308)	(\$137)	125%
Combined operations			
Oilfield disposal and processing revenue	\$4,546	\$3,184	43%
Oil and gas sales	-	98	-100%
Other revenue	102	121	-16%
Total revenue	4,648	3,403	37%
Operating costs	(3,117)	(3,017)	3%
Operating income⁽¹⁾	1,531	386	297%
General and administrative expenses (“G&A”)	(567)	(559)	1%
Insurance recovery – business interruption	-	562	-100%
EBITDA ⁽¹⁾	\$964	\$389	148%
Other income and expenses			
Depreciation and depletion	(493)	(454)	9%
Amortization	(17)	-	-100%
Impairment	(12,360)	(4,745)	160%
Finance costs	(223)	(388)	-43%
Share-based payments	(2)	(16)	-88%
Foreign exchange (losses) gains	(572)	(5)	11340%
Gain on settlement of promissory note	1,100	-	100%
Loss on disposal of property, plant and equipment - net	-	(4)	-100%
Loss on abandonment	-	(16)	-100%
Insurance recovery – property damage	-	1,443	-100%
Income tax expense	(2)	-	-100%
Deferred income tax recovery	105	-	100%
Net loss	(\$11,500)	(\$3,796)	203%

¹⁾ North Dakota operations do not recognise volumes, revenues, and expenses for the Watford SWD from the date of the fire on January 17, 2019 to March 31, 2019.

²⁾ Refer to “Non-GAAP Measures” for additional information.

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For the three months ended March 31, 2020, EBITDA increased 148% to \$964,000 from \$389,000 in Q1 2019 as the North Dakota facilities recorded increased fluid disposal (up 14%) and recovered oil sales volumes (up 62%). The improved performance from North Dakota operations in Q1 2020 compared to Q1 2019 more than offset increased operating losses at the Clairmont Facility over the same periods.

Combined total revenue (North Dakota and Alberta) for the three months ended March 31, 2020 increased by 37% to \$4,648,000 from \$3,403,000 in Q1 2019 which does not include Q1 2019 Watford SWD Facility business interruption insurance recoveries of \$562,000 which are recorded as a separate line item below operating income. Even with the Watford SWD Facility business interruption recovery included in Q1 2019's revenue, the combined total revenue for the current quarter is still higher by 17%. Combined operating costs increased by 3% for the three months ended March 31, 2020 compared to Q1 2019 mainly due to the additional 15% working interest in the Tioga SWD Facility which was purchased effective January 1, 2020.

North Dakota

Volumes:

For the three months ended March 31, 2020, fluid disposal volumes (trucked, pipeline, flowback water and Class 1 water) increased 60% to 47,976 barrels per day ("bpd") from 30,235 bpd in Q1 2019. These volumes include 562 barrels per day in Q1 2020 and 85 barrels per day in Q1 2019 for the newly constructed Alexander Class 1 Facility which began meaningful disposal operations in the second half of 2019. In the prior year quarter, fluid disposal volumes exclude Watford SWD Facility volumes from January 17, 2019 when the facility was destroyed by fire; however, the Corporation has fully recovered the lost income under its insurance program.

For the three months ended March 31, 2020, North Dakota oil sales volumes doubled to 16,361 barrels from 8,019 barrels in Q1 2019, with the Ross and Watford SWD Facilities accounting for 70% of recovered oil sales volumes in Q1 2020 compared 38% in Q1 2019. The New Town SWD Facility contributed 22% of recovered oil volumes in Q1 2020 versus 49% in the prior year quarter.

Operating Income:

For the three months ended March 31, 2020, North Dakota operating income more than tripled to \$1,839,000 from \$523,000 in Q1 2019 mainly due to the higher fluid disposal volumes and the significantly higher recovered oil volume sales.

Revenue and Pricing:

For the three months ended March 31, 2020, North Dakota total revenue increased 63% to \$4,533,000 from \$2,779,000 in Q1 2019, as revenues from the Ross SWD Facility increased 141% to \$1,001,000 from \$415,000 in Q1 2019 with this facility's fluid disposal volumes up 142% and recovered oil sales up 353%. In Q1 2020, the Watford SWD recorded revenues of \$1,013,000 compared to \$175,000 in Q1 2019 when operations were shut down on January 17, 2019 due to the previously mentioned fire and for which White Owl received compensation. In addition, the recently constructed Alexander Class 1 Water Facility contributed revenue of \$309,000 compared to \$20,000 in Q1 2019 when this facility was being commissioned. The 104% increase in recovered oil volume sales in Q1 2020 to 16,361 barrels from 8,019 barrels in Q1 2019 more than offset a 20% decrease in the realized oil netback price to result in a 63% increase in recovered oil revenues to \$789,000 from \$485,000 in Q1 2019. Importantly, benchmark West Texas oil price ("WTI") has shown a dramatic downward trend to average US \$30.45 in March 2020, down from US \$50.54 in February 2020.

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Revenues from fluid disposal services increased 68% to \$3,642,000 in Q1 2020 from \$2,173,000 in Q1 2019, while the average revenue per barrel disposed increased 4% to \$0.83 per barrel from \$0.80 per barrel in Q1 2019. The increase in the average price per barrel is mainly due to the inclusion in Q1 2020 of significantly higher Alexander Class 1 water volumes which attract considerably higher disposal fees.

Other revenue decreased to \$102,000 for the three months ended March 31, 2020 compared to \$121,000 in Q1 2019 due to administrative fees received related to the construction of the Epping SWD Facility recorded in the prior year quarter.

Operating Costs:

For the three months ended March 31, 2020 operating costs increased by 19% to \$2,694,000 from \$2,256,000 in Q1 2019 mainly due to the 60% increase in fluid volumes disposed in the current quarter compare to the prior year quarter. Operating costs for Q1 2019 include unusual expenses of \$382,000 for insurance deductibles of \$133,000 related to the Watford SWD Facility fire and the Clairmont Facility pipeline leak (see “Alberta” below), \$193,000 for clean-out of the tanks at the Ross SWD Facility (a one in approximately three-year event), and \$56,000 for commissioning of the newly constructed Alexander and Epping facilities.

Please see “Revenue and operating income by facility” on page 6 of this Management Discussion of Financial Results 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”).

The Corporation’s associated oil and gas wells that are pipeline connected to the Clairmont Facility were permanently shut-in in February 2019 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 nil for the three months ended March 31, 2020 compared to \$98,000 in Q1 2019.

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 the wells were shut-in in December 2019. Since then, White Owl has shut-in the Clairmont Facility until commodity prices recover to more sustainable levels, as activity in the adjacent area has severely declined (please see “ECONOMIC ENVIRONMENT” on Page 3). Management will continue to assess its options with respect to the Clairmont Facility.

For the three months ended March 31, 2020, total revenue from Clairmont operations including disposal and third-party processing plus oil and gas decreased 82% to \$115,000 from \$624,000 in Q1 2019. Total operating costs decreased by 44% to \$423,000 from \$761,000 in Q1 2019.

As a result, the Alberta operating loss totaled \$308,000 for Q1 2020 compared to an operating loss of \$137,000 in Q1 2019. The increased operating loss is mainly due to the shutting-in of the water disposal wells in December 2019. To reactivate the third-party water disposal business will require the recompletion of another disposal well into a different formation (“Belloy well”). With the shutting down of the facility in April 2020, the recompletion of a water disposal well will be considered when commodity prices again return to sustainable levels.

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Revenue and operating income (loss) by facility

(\$000's)	Three months ended March 31,		
	2020	2019	%
Oilfield waste disposal and oil sales			
New Town	1,380	1,449	-5%
Watford City	1,013	175	478%
Ross	1,001	415	141%
Alexander	309	20	1445%
Tioga JV	539	384	40%
Epping	189	215	-12%
Clairmont	115	526	-78%
	4,547	3,184	43%
Oil and gas revenue	-	98	-100%
Other income	102	121	-16%
Total revenue	4,648	3,403	37%
Operating income (loss)			
New Town	565	644	-12%
Watford City	430	(107)	502%
Ross	428	(118)	463%
Alexander	19	(214)	109%
Tioga JV ⁽²⁾	247	179	38%
Epping	48	18	167%
Clairmont-Midstream	(213)	122	-275%
	1,524	524	191%
Oil and gas operating loss	(95)	(259)	-63%
Other revenue	102	121	-16%
Combined operating income ⁽¹⁾	1,531	386	297

New Town

Volumes:

For the three months ended March 31, 2020, the New Town SWD Facility operated at near full capacity with total fluids disposed (production water and flowback) increasing 1% to 16,251 bpd in Q1 2020 over Q1 2019. While production water volumes remained relatively flat at 15,049 bpd compared to 15,269 bpd in Q1 2019, flowback volumes increased 34% to 1,202 bpd compared to 900 bpd in Q1 2019. In Q1 2020 recovered oil volumes decreased 28% to 3,563 barrels compared to 4,917 barrels in Q1 2019.

Operating Income:

For the three months ended March 31, 2020, the New Town SWD Facility generated operating income of \$565,000, a 12% decrease from \$644,000 in Q1 2019, mainly due to lower recovered oil revenues stemming from a 20% decrease in the realized netback oil price and the aforementioned lower oil volume sales.

Revenues and Pricing:

For the three months ended March 31, 2020, total New Town revenues decreased 5% to \$1,381,000 due to lower recovered oil revenues stemming from a 20% decrease in the realized netback oil price and the 28% decrease in oil volume sales. Production water revenues remained flat in Q1 2020 compared to Q1 2019 as

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volumes decreased 1% in combination with a 1% price increase, while flowback revenues increased 28% as volumes increased 34% and pricing decreased 5% over the same periods.

Operating Costs:

Operating costs remained unchanged at \$816,000 in Q1 2020 compared to Q1 2019 as total fluids disposed increased by 1% overall.

Watford City

Since returning to full operation in October 2019, the Watford SWD Facility has operated at 75% capacity in Q1 2020 with total fluids disposed averaging 10,789 bpd.

Under the Company's insurance program, all reconstruction costs and the loss of income over the nine-month reconstruction period from January to October 2019 were fully reimbursed with the final payment received by White Owl in February 2020.

Ross

Volumes:

Total fluids disposed (production water and flowback) increased 142% to 10,743 bpd in Q1 2020 compared to 4,432 bpd in Q1 2019 mainly due to the ramp-up of drilling and completion activity by three area producers over the last half of 2019. Production water volumes tripled to 10,694 bpd for the three months ended March 31, 2020 compared to 3,595 bpd in the prior year quarter, while flowback volumes decreased 94% to 49 bpd from 837 bpd in Q1 2019. Importantly, although the oil content is lower in production water than in flowback, oil volumes recovered rose dramatically with an almost four-fold increase in Q1 2020 to 6,974 barrels from 1,538 barrels in Q1 2019.

Operating Income:

For the three months ended March 31, 2020, operating income for Ross increased significantly to \$428,000 from an operating loss of \$118,000 in Q1 2019 due to the 197% increase in production water volumes disposed and the 353% increase in recovered oil volume sales. In addition, unusual expenses of \$193,000 were incurred for tank clean outs in Q1 2019 resulting in the operating loss for that quarter.

Revenues and Pricing:

For the three months ended March 31, 2020, total Ross revenues increased 141% to \$1,001,000 from \$415,000 in Q1 2019 due to higher production water and oil volumes as well as stronger pricing. Production water revenues tripled in Q1 2020 to \$652,000 compared to \$215,000 in Q1 2019 as volumes increased 194% while pricing remained unchanged, while flowback revenues decreased 92% approximately matching a 94% decrease in volumes. Recovered oil revenues increased 242% in Q1 2020 compared to Q1 2019 as the 353% increase in oil volume sales more than offset a 25% decrease in the realized netback oil price.

Operating Costs:

For the three months ended March 31, 2020, operating costs increased 8% to \$573,000 from \$533,000 in Q1 2019 due to higher disposal volumes. In addition, tank clean-out costs of \$193,000 were incurred in the prior year quarter, Q1 2019.

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Tioga

For the three months ended March 31, 2020, White Owl has a 47% working interest in the Tioga SWD Joint Venture (“Tioga JV”) as a result of the purchase, effective January 1, 2020, of a 15% interest in the Tioga JV; this acquisition was funded from proceeds of the private placement of common shares completed in November 2019. The discussion below is based on total volumes for the facility while the financial information represents White Owl’s 47% interest in the Tioga JV. The comparative financial numbers for Q1 2019 represent a 32% interest in the Tioga JV.

Volumes:

The Tioga SWD Facility has been operating at near its capacity of 16,000 barrels per day with total fluids disposed up 2% to 15,271 bpd (gross) in Q1 2020 compared to 15,027 bpd (gross) in Q1 2019.

Production water received by pipeline has increased 29% to 8,028 bpd for the three months ended March 31, 2020, displacing trucked production water and flowback water, as the producer who owns the pipeline has been sending more water to the facility. In Q1 2020, pipeline production water accounted for 53% of total fluid volumes disposed compared to 41% in Q1 2019. As a result of the proportionate increase in pipeline water volumes, trucked water and flowback volumes decreased 16% and 84%, respectively. Flowback volumes are generally never significant at the Tioga SWD Facility because capacity is usually filled with trucked and pipeline water as a result of commitments to customers.

Since the oil content in pipeline production water is lower than in trucked-in production water and flowback, recovered oil volumes sold have decreased by 11% to 2,240 barrels (gross) for the three months ended March 31, 2020 compared to Q1 2019.

Operating Income:

Operating income for White Owl’s net interest in the Tioga SWD Facility increased 38% to \$247,000 in Q1 2020 from \$179,000 in Q1 2019, mainly due to the additional 15% working interest acquired January 1, 2020, which accounted for \$79,000 of operating income in the current quarter.

Revenues and Pricing:

For the three months ended March 31, 2020, total Tioga revenues (net to White Owl) increased 40% to \$539,000 from \$384,000 in Q1 2019, mainly due to the additional 15% working interest acquired January 1, 2020, which accounted for \$172,000 of revenue in the current quarter. Pricing for trucked, pipeline, and flowback water in Q1 2020 remained unchanged compared to Q1 2019, but the realized netback oil price decreased 14% in the current quarter compared to the prior year quarter as weak commodity prices set in in the latter part of Q1 2020.

Operating Costs:

Operating costs for the three months ended March 31, 2020 increased 50%, mainly due to the additional 15% working interest acquired January 1, 2020, which accounted for \$93,000 of operating costs in the current quarter.

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Alexander

White Owl's Class 1 water disposal business became established over the latter part of 2019 and has a different customer base with 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:

In Q1 2020, barrels disposed totaled 51,210 compared to 7,654 barrels in Q1 2019 when the facility was still in the commissioning stage. The current quarter's operating results at Alexander were impacted by a constriction in the disposal well's tubing, which reduced the ability to dispose of volumes for about 10 days in January. This necessitated a well workover which was completed in April 2020 and which resulted in the recording of additional operating costs of \$101,000 in Q1 2020 for a portion of the overall well workover cost.

Operating Income:

In Q1 2020, White Owl recorded operating income of \$19,000 compared to an operating loss of \$214,000 in Q1 2019 when White Owl was developing this new business as well as incurring commissioning costs.

Revenues and Pricing:

In Q1 2020, Alexander revenues totaled \$309,000 compared to the almost seven-fold increase in Class 1 water disposal volumes and higher pricing. Pricing averaged US \$4.48 per barrel in Q1 2020 compared to US \$2.00 per barrel in Q1 2019 when White Owl offered discount pricing to establish a customer base.

Operating Costs:

Operating costs for the three months ended March 31, 2020, totaled \$290,000 compared to \$224,000 in Q1 2019. As mentioned previously, well workover costs of \$101,000 were recorded in Q1 2020. The total cost of the well workover was \$248,000 with the remaining \$147,000 to be recorded in operating costs in Q2 2020.

Epping

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. The timing for the drilling of the second well is uncertain at this time due to the current low commodity price environment that has led to significantly reduced producer activity across the Bakken in North Dakota.

Volumes:

The Epping SWD Facility has been operating at near its capacity of approximately 8,000 bpd (gross) with total fluids disposed of 7,547 bpd (gross) in Q1 2020 compared to 7,504 bpd (gross) in Q1 2019. This is a pipeline-connected facility with pipeline water volumes accounting for 89% of total fluid volumes in Q1 2020 compared to 40% in Q1 2019. Based on the pipeline owner's forecast, we expect pipeline water as a proportion of total fluids to approximate Q1 2020 levels for the balance of the year. With the proportionate increase in pipeline volumes which have a lower oil content than trucked or flowback water, recovered oil volumes decreased to 962 barrels (gross) in Q1 2020 from 1,676 barrels (gross) in Q1 2019.

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Operating Income:

Operating income for White Owl's net interest in the Epping SWD Facility totaled \$48,000 in Q1 2020 compared to \$18,000 in Q1 2019. Until the second disposal well is constructed, the Epping SWD Facility will be a marginal contributor to the Corporation's operating income.

Revenues and Pricing:

For the three months ended March 31, 2020, Epping revenues (net to White Owl) totaled \$189,000 compared to \$215,000 in Q1 2019. Recovered oil revenues decreased 54% due to a 43% decrease in oil volumes combined with a 14% drop in the realized netback oil price.

Operating Costs:

Operating costs for Q1 2020 totaled \$145,000, a decrease of 26% from \$197,000 in Q1 2019. The decrease is due to anticipated commissioning costs incurred during the start-up phase in Q1 2019.

Clairmont Processing and Disposal Plant

For the three months ended March 31, 2020, the Clairmont waste disposal and third-party processing facility ("Clairmont Midstream") generated revenue of \$115,000 compared to \$526,000 in Q1 2019, as disposal and third-party processing volumes decreased 81% because the water disposal wells were shut-in in December 2019. As a result, in Q1 2020, Clairmont Midstream incurred an operating loss of \$213,000 compared to operating income \$122,000 in Q1 2019.

As previously reported, a rise in downhole pressures which exceeded allowable limits, necessitated the shutting-in of the water disposal wells in Q4 2019. To provide a long-term water disposal solution at Clairmont, the Company intends to recompleat an existing disposal well into the deeper Belloy formation to regain and increase local area third-party water disposal business. However, this project has now been deferred at least to 2021 due to the onset of a dramatically lower commodity price environment in the latter part of Q1 2020 (please see "Economic Environment" under "COMPANY OVERVIEW" on Page 2). In the meantime, the Clairmont Facility has been shut down as a cost control measure pending the return of more sustainable operating conditions.

Also, as previously reported, 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 Q1 2020 compared to \$98,000 in Q1 2019.

Operating costs for oil and gas operations have also decreased since the oilfield was shut in. In Q1 2020, oil and gas operations incurred an operating loss of \$95,000 compared to an operating loss of \$259,000 in Q1 2019.

In Q1 2020, total Clairmont operations (disposal and third-party processing plus oil and gas production) incurred an operating loss of \$308,000 compared to an operating loss of \$137,000 in Q1 2019.

Other Revenue

Other revenue includes operational, administration and capital fees charged by White Owl for services provided by White Owl to the Tioga and Epping LLCs and Joint Ventures. For the three months ended March 31, 2020, other revenue decreased to \$102,000 from \$121,000 in Q1 2019 due to Epping SWD Facility capital overhead fees earned in the prior year quarter when construction of this facility was completed.

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G&A expenses

(\$000's)	Three months ended March 31,	
	2020	2019
Salaries and management	\$264	\$278
Professional fees	167	164
Travel and related expenses	28	30
General office expenses	93	80
Third party consulting fees	18	11
Lease liability recoveries	(3)	(4)
	\$567	\$559

In Q1 2020, G&A expenses totalled \$567,000, or 12% of total revenue, compared to \$559,000, or 16% of total revenue in Q1 2019 (or 14% of total revenue if business interruption insurance recovery is included in Q1 2019 total revenue). Professional fees for the three months ended March 31, 2020 include fees related to services provided for independent audit, taxation preparation, financial advisory, oil and gas reserve report preparation and legal.

Depreciation and depletion

Depreciation and depletion for the three months ended March 31, 2020 totaled \$509,000 compared to \$454,000 in Q1 2019. The increase in 2020 is primarily due to increased depreciation for the Watford SWD Facility which returned to full operation in Q4 2019 and which was undergoing reconstruction for most of 2019.

Impairment

At March 31, 2020, White Owl evaluated its property, plant and equipment for indicators of any potential impairment or related reversal. As a result of lower than forecasted results at the Clairmont cash generating unit ("CGU") due to the shutting down of this facility in 2020, and due to lower than forecasted results at Watford CGU and New Town CGU, all due to the current challenging economic climate brought about by factors including the COVID-19 and commodity price volatility, the Company completed an impairment test on the assets. The recoverable amounts of these assets were assessed at \$27,987,000. As a result of the impairment test performed, the Company recognized an impairment expense of \$12,359,945. This expense comprised \$3,318,703 against property, plant and equipment and \$9,041,242 against goodwill. The impairment expense of \$3,318,703 against property plant and equipment relates to the Clairmont Facility (\$3,048,990) with the balance of \$269,713 relating to the impairment of equipment stored at Saddle Hills, Alberta. The impairment expense of \$9,041,242 against goodwill relates to the Watford SWD Facility (\$2,549,289) and the New Town SWD Facility (\$6,491,953).

At December 31, 2019, White Owl evaluated its property, plant and equipment for indicators or any potential impairment or related reversal. In the year ended December 31, 2019, as a result of lower than forecasted results attributable to the shutting-in of the water disposal wells and the oilfield during the year, the Company completed an impairment test on the assets acquired as part of the Clairmont Facility acquisition in 2017. As a result of the impairment test performed, the Company recognized an impairment expense of \$2,403,000 against the midstream property, plant and equipment, which was recorded in Q4 2019. Should economic conditions improve, the Company may be able to reinstate amounts previously written off against property, plant and equipment, but goodwill cannot be reinstated.

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Insurance proceeds

In February 2020, the Company received a final payment of \$1,748,428 (US\$1,322,964) in insurance proceeds for recovery of property damage and business interruption related to Watford SWD Facility which was destroyed by fire in January 2019 and returned to full operation in October 2019. This amount was included in accounts receivable as at December 31, 2019. Through its insurance program, White Owl has been able to fully recover reconstruction costs and lost income related to the Watford SWD fire. Insurance recovery for property damage totaled \$4,823,000 and the insurance recovery for business interruption totaled \$2,274,000.

Finance costs

	Three months ended March 31,	
(\$000's)	2020	2019
Interest on term loan	\$179	\$253
Interest on promissory notes and mortgage payable	8	8
Interest on lease liabilities	5	5
Loan commitment fee	-	80
Accretion of promissory notes	-	-
Accretion of decommissioning obligations	24	33
Interest (income) expenses bank charges and other	7	9
	\$223	\$388

The decrease in interest on term loan in Q1 2020 compared to Q1 2019 is mainly due to lower interest rates and principal outstanding. In Q1 2020, the Company's average term loan interest rate was 5.87% compared to an average of 7.25% in Q1 2019 and compared to 6.7% for the 2019 year. In addition, the interest component of the monthly blended principal and interest payment to the lender decreases over time while the principal portion increases. On April 30, 2020, the Company's senior lender accepted interest only payments, which may continue for an undefined period, subject to the agreement of the senior lender.

Foreign exchange losses, gains

For the three months ended March 31, 2020, the Company recorded foreign exchange losses of \$572,000, compared to foreign exchange losses of \$5,000 in Q1 2019. The gains and losses reflect the impact of changes in exchange rates on US dollar cash balances and short-term intercompany loans. The average exchange rate for the three months ended March 31, 2020 was 1.34 compared to 1.32 for Q1 2019.

Share-based payments

During Q1 2020 the Company recorded share-based payments of \$2,000 compared to \$16,000 in Q1 2019. Share-based payments relate to the amortization of costs of stock options issued to management, employees and directors of the Company.

SUMMARY OF QUARTERLY RESULTS

(\$000's)	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenue	\$4,648	\$5,289	\$4,776	\$3,475	\$3,403	\$3,925	\$4,516	\$3,969
EBITDA ⁽¹⁾	964	1,729	2,048	568	389	526	1,485	751
Net Income (loss)	(11,500)	(531)	2,531	1,154	(3,796)	(660)	82	(205)

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

The net loss in Q1 2020 is mainly due to the recording of impairment charges totaling \$12,360,000 relating to the Clairmont, Watford SWD and New Town SWD Facilities as discussed under "Impairment" above. The

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Q4 2019 EBITDA and Q3 2019 EBITDA are due to strong operating results recorded in each quarter. The Q4 2019 net loss is mainly due to the recording of an impairment charge of \$2,403,000 relating to the Clairmont facility. The Q3 2019 net income is due to the record operating results achieved in the quarter as well as the recording of \$588,000 in business interruption and property damage insurance proceeds. The Q2 2019 net income is mainly due to the recognition of \$2,018,500 in insurance proceeds for property damage and business interruption. The net loss in Q1 2019 is mainly impacted by the recognition of \$4,745,348 of impairment expense related to the Watford Facility fire which was partially offset by the \$2,005,000 (US\$1,500,000) of insurance proceeds for property damage and business interruption. The net loss in Q4 2018 reflects operating losses at the Epping and Alexander facilities due to start-up expenses and an operating loss incurred by Clairmont oil and gas operations.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they become due. The Company manages its liquidity risk through cash and debt management combined with equity financing when available. Management's assessment of the Company's liquidity reflects estimates, assumptions and judgments relating to current market conditions. The Company funds its operations, acquisitions and capital program through a combination of cash provided by operations, equity, bank debt and promissory notes. The Company's objective in the management of its capital resources is to secure adequate sources of capital to fund capital investments, while ensuring that sufficient operating cash flow is available to sustain and grow the operating business.

At March 31, 2020, the Company had negative working capital of \$7,872,000 (December 31, 2019 - \$8,475,000), an accumulated deficit of \$28,043,000 (December 31, 2019 - \$16,543,000) and net loss for the three months ended March 31, 2020 of \$11,500,000 (2019 - \$3,796,000 loss). The Company is in compliance with all terms of the amended and restated credit agreement as at March 31, 2020. However, the current challenging economic climate brought about by factors including the Coronavirus (COVID-19) and commodity price volatility may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have an effect on the Company's consolidated operating results and consolidated financial position. These factors indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and realize the carrying value of its assets and discharge its liabilities when due is dependent on achieving future profitable operations. There is no certainty that the Company will achieve profitable operations in the future due to factors such as commodity prices, industry activity levels in the regions in which the Company operates, competition, successfully raising capital for acquisition and development opportunities and successful implementation of management's plans.

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

WHITE OWL ENERGY SERVICES INC.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q1 2020

Investing activities

Capital Expenditures and Acquisition of Joint Venture Interest

(\$000's)	Three months ended March 31,	
	2020	2019
Capital expenditures	162	324
Acquisition of 15% joint interest in Tioga Joint Venture	1,000	-
	1,162	324

Capital expenditures during the three months ended March 31, 2020 include amounts for tank heaters, static dissipators and truck-offload improvements in respect of the Corporation's North Dakota facilities.

Acquisition of 15% Interest in Tioga Joint Venture

In 2016, White Owl Tioga LLC, a 40% owner of the Tioga Salt-Water Disposal Facility ("Tioga SWD"), issued debentures ("Debentures") that contained an optional redemption provision, whereby after September 30, 2019, the Company had the option to redeem the total amount of the Debentures (the "Redemption") at par and in exchange would earn an additional 15% interest in the Tioga SWD. Effective January 1, 2020, the Company completed the Redemption and earned an additional 15% interest in the Tioga SWD for proceeds of US\$782,500, with funding provided from a portion of the proceeds of the private placement completed in November 2019. As a result, White Owl Tioga LLC's interest has decreased to 25% and the Company's interest in Tioga SWD has increased to 47% after completion of the Redemption.

The Company accounts for this joint arrangement as a joint operation and accounts for its interest in the Tioga Joint Venture by recognizing its share of assets, liabilities, revenues and expenses of the joint operation.

Financing activities

Share Capital

Shares issued and outstanding (000's)	Common shares	Amount (\$000)	Preferred shares	Amount (\$000)	Total	Amount (\$000)
Balance, December 31, 2017	41,504	18,340	26,469	12,353	67,973	30,693
Shares issued	6,735	1,247	-	-	6,735	1,247
Cancellation of shares	(256)	(128)	-	-	(256)	(128)
Share issue costs	-	(67)	-	-	-	(67)
Balance December 31, 2018	47,983	19,392	26,469	12,353	74,452	31,745
Shares issued	17,650	1,765	-	-	17,650	1,765
Share issue costs	-	(39)	-	-	-	(39)
Balance December 31, 2019 and March 31, 2020	65,633	21,118	26,469	12,353	92,102	33,471

As at March 31, 2020, there were 4,000,000 (December 31, 2019 – 4,000,000) common shares held in escrow.

In November 2019, the Company issued 17,650,000 common shares at \$0.10 per common share for total proceeds of \$1,765,000 before share issue costs of \$38,789.

Share Options

There were 1,689,000 share options outstanding as of March 31, 2020 (December 31, 2019 – 1,689,000), with a weighted average exercise price of \$0.32 per share. During the year ended December 31, 2019, 2,025,000 options expired, and 455,000 options were cancelled.

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Term Loan

Effective December 19, 2019, the Company signed an amended and restated credit agreement (“Commitment Letter”) with Alberta Treasury Branches (“ATB”) which amends and restates in its entirety the previous credit agreement between the Company and ATB. Under the terms of the Commitment Letter, the Company will have a non-revolving reducing loan facility (the “Term Loan”) in the amount of US\$9,106,681 and a revolving, operating demand loan facility (the “Operating Loan”) in the amount of US\$1,000,000, secured by a security interest over all present and future property and a floating charge on all lands. The Term Loan matures January 1, 2025, is payable on demand and bears interest at an annual rate of US prime plus 1.75%. Until demand, the Term Loan is repayable in blended equal monthly payments of principal and interest of US\$186,650 over an amortization period ending December 31, 2024. The Operating Loan is a revolving demand facility in the maximum amount of US\$1,000,000 bearing interest at the US prime rate plus 1.75%. During the three months ended March 31, 2020, the Company made principal payments on the Term Loan of \$581,000 (US\$427,000) (2019 - \$1,968,000 (US\$1,495,000)). The facilities are subject to review by the lender with the next annual review date set for September 30, 2020. On April 30, 2020, the Company’s senior lender accepted interest only payments, which may continue for an undefined period, subject to the agreement of the senior lender.

Execution of the amended and restated credit agreement has resolved certain default conditions existing under the previous credit agreement with ATB.

The Operating Loan is a US\$1,000,000 facility and is reduced by outstanding letters of credit of \$53,862 (December 31, 2019 - \$53,862) and credit card balances of \$8,379 (December 31, 2019 - \$10,426). The Company had drawn \$461,000 (US\$325,000) on the Operating Loan at March 31, 2020 (December 31, 2019 – \$681,870 (US\$525,000)).

Under the loan agreement for the Term Loan and Operating Loan, the Company is required to maintain the following minimum debt service coverage and working capital ratios:

Period	Working capital ratio	Debt service ratio
December 31, 2019 to December 31, 2020	1.30:1.00	1.25:1.00
January 1, 2021 to June 30, 2021	1.40:1.00	1.25:1.00
July 1, 2021 and thereafter	1.50:1.00	1.25:1.00

The debt service coverage ratio is calculated as follows:

$$\text{Debt service coverage ratio} = \frac{\text{Earnings before interest, depreciation, taxes and amortization}}{\text{Debt service obligations}}$$

The debt service coverage ratio at March 31, 2020 was 1.86 to 1.00 (December 31, 2019 – 1.73 to 1.00). The ratio is calculated based on the trailing four quarters at March 31, 2020.

The working capital ratio is calculated as follows:

$$\text{Working capital ratio} = \frac{\text{Current assets}}{\text{Current liabilities excluding term loan and vendor note}}$$

The working capital ratio at March 31, 2020 was 1.78 to 1.00 (December 31, 2019 – 1.75 to 1.00).

Promissory Note Settlement

On January 17, 2020, White Owl Ltd. entered into a release agreement with the vendor for a final repayment of \$300,000 to fully repay the remaining \$1,400,000 outstanding on the Vendor Note. As a result, a gain on settlement of promissory note of \$1,100,000 was recorded in the Condensed Consolidated Interim Financial

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MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q1 2020

Statements for the three months ended March 31, 2020.

SUBSEQUENT EVENTS

In April 2020, the Clairmont facility was shut-in for approximately a year in response to dramatically lower commodity prices which has resulted in significant decreases in capital budgets and the reduction of activity by area producers. White Owl expects this facility to be reopened when operating conditions in the oil and gas industry return to more sustainable levels.

OUTLOOK

As discussed above, the affect of the onset of weak commodity prices late in Q1 2020 on our markets is being compounded by the world economic slowdown due to the global COVID-19 virus. As a result, the impact on the industry has been dramatic with oil and gas producers across North America significantly curtailing activity as capital expenditure budgets are being reduced to conserve cash in what has become a very uncertain operating environment. As of mid May, approximately one third of North Dakota's daily oil production has been shut-in which has reduced White Owl's daily water disposal volumes from an average of 47,976 bpd in Q1 2020 to approximately 30,000 bpd.

In this unprecedented and uncertain environment, we have proactively taken steps to keep our people safe, reduce costs, and protect liquidity. These are tumultuous, uncertain times and we are continually monitoring our business and cost structure and taking appropriate steps as are deemed necessary. We have reduced both field operating and office administrative costs in North Dakota and Alberta to offset the financial impact of lower volumes and revenues. Actions taken include salary reductions for all employees, reductions in field and office staffing personnel, reductions in office rent and supplies, and cancellation of all non-essential business travel. We have also negotiated reductions in hourly rates charged by certain professional service providers. Complimenting these austerity measures, we have successfully applied for government programs both in Canada and the US and these funds are a welcome addition.

We are unable to provide our traditional type guidance on financial performance over the next 6 months due to the volatile market conditions that we presently find ourselves in. Our business in the Bakken is located in the core of shale activity. But even being strategically located is no guarantee of ongoing business when the smaller producers are trying to survive while our larger financially stronger customers are demanding cuts in service rates. Our Class 1 business, while impacted by the downturn, is less exposed to commodity prices and is anticipated to maintain current business volumes.

NON-GAAP MEASURES

The MDFR makes reference to terms commonly used in the industry including operating income, EBITDA and cash provided by operations. Such terms do not have a standard meaning as prescribed by IFRS and therefore may not be comparable with the determination of similar measures of other entities. These measures are identified as non-GAAP measures and are used by Management to analyze operating performance and leverage. The Company's method of determining non-GAAP measures is disclosed where the measure is first used within the MDFR. Operating income, EBITDA and cash provided by operations should not be considered as an alternative to, or more meaningful than, net income (loss) or cash flow from operating activities as determined in accordance with IFRS.

FORWARD-LOOKING INFORMATION

This discussion contains forward-looking information, which is disclosure regarding possible events, conditions or financial performance that is based on assumptions about future courses of action and economic conditions. Such

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MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q1 2020

forward-looking information may be identified by words such as "anticipate", "will", "intend", "could", "should", "may", "might", "expect", "forecast", "plan", "potential", "project", "assume", "contemplate", "believe", "budget", "shall", "continue", "milestone", "target", "vision", and similar terms or the negative thereof or other comparable terminology.

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

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

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