



MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS

For the three and nine months ended September 30, 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 and nine months ended September 30, 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 November 10, 2020 and should be read in conjunction with White Owl's condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 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 processing and disposal of third-party oilfield fluids. In Alberta, White Owl operates a pipeline-connected terminal at Clairmont and provides treating, blending and water disposal services from the facility which was temporarily shut-in during April 2020 but is now scheduled to restart operations in Q4 2020. The Company, through its network of midstream facilities, is providing services to some of the largest independent oil and gas operators in North America.

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, as warranted by market conditions and the broader commodity price environment.

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Operational Philosophy

Within its markets, the Company differentiates itself by:

- Operating with the highest levels of responsible environmental, health and safety stewardship, including heightened precautions undertaken during the COVID health pandemic to protect staff, stakeholders and local communities from transmission;
- 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 facilities (“SWDS”) into its network.

Key Business Components

Water disposal

In North Dakota, the Company operates five disposal facilities which accept operators’ produced water and flowback to be disposed of through Company-operated Class 2 SWD facilities. In addition, the Corporation owns and operates 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 during the water disposal process. White Owl’s Class 2 SWD facilities in North Dakota are located at New Town, Watford City, Ross, Tioga and Epping. 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, 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 4).

Processing services

White Owl owns and operates a pipeline-connected oil processing and disposal facility at Clairmont (the “Clairmont Terminal”), in the heart of the Montney shale play development in the Grande Prairie area of northwest Alberta. On October 27, 2020, White Owl executed a Blending, Construction, Ownership and Operating Agreement (“CO&O”) with Pivotal Energy Partners (“Pivotal”) a well funded midstream company, aimed at creating a transparent marketing, infrastructure, and crude oil optimization business at the Clairmont Terminal. This is a positive development for the Clairmont Terminal following the temporary shut-down of

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operations in April 2020 due to volatile market conditions. Based on the terms of the CO&O, Pivotal will provide the necessary capital, marketing, trucking, and optimisation services for the business. (Please see “Alberta” on Page 10).

THIRD QUARTER AND YEAR TO DATE 2020 HIGHLIGHTS

The significant reduction in global crude oil demand related to the COVID crisis has contributed to a steep and rapid decline in both crude oil production and drilling activity in North Dakota. As a result, produced water and flowback volumes in the Bakken have declined along with oil production. Highlights for the three and nine months ended September 30, 2020 for both North Dakota and Alberta are summarized as follows and include the Corporation’s ongoing efforts to mitigate the impact of the COVID related economic downturn:

- We are pleased to announce that on October 27, 2020, White Owl executed a CO&O with a Calgary based midstream group, Pivotal, aimed at creating a transparent marketing, infrastructure, and crude oil optimization business at the Clairmont terminal. Based on the terms of the CO&O, Pivotal will provide the necessary capital, marketing, trucking, and optimisation services to fully exploit the business opportunity and expand the business.
- White Owl has successfully applied for three government assistance programs including the federal wage subsidization programs in Canada and the US. In Canada, the Corporation has applied under the Canadian Emergency Wage Subsidy and the Canadian Emergency Business Account programs and has received \$165,579 as of September 30, 2020. In North Dakota, the Corporation has received a loan of US \$356,810 under the US federal Payroll Protection Program, which becomes a grant if used for salaries and wages.
- General and administrative expenses (“G&A”) decreased 46% to \$314,000 in Q3 2020 from \$579,000 in Q3 2019 and decreased 30% to \$1,232,000 in the nine months ended September 30, 2020 from \$1,786,000 in the comparable 2019 period.
- The economic downturn has continued into the second and third quarter of 2020. The Q3 2020 consolidated EBITDA improved to \$169,000 compared to negative EBITDA of \$230,000 in the previous quarter, Q2 2020. For the nine months ended September 30, 2020, consolidated EBITDA decreased to \$904,000 from \$3,005,000 in the nine months ended September 30, 2019.

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ECONOMIC ENVIRONMENT

The COVID crisis has had an industry wide negative influence on global oil and gas prices and activity. Capital expenditure budgets in North Dakota have been scaled-back or cancelled entirely and production has been curtailed or shut-in due to weak commodity prices and U.S. election uncertainty. This is evidenced by the drilling rig count in North Dakota which at the beginning of January 2020 was 60 and is down to 16 at the end of Q3 2020.

For Q3 2020, the benchmark West Texas Intermediate price (“WTI”) averaged US \$40.92 per barrel. This was down from pre-COVID pricing levels of US \$55.00 to US \$60.00 per barrel but a 47% increase over Q2 2020’s average price of US \$27.88 per barrel. More recently in Q3 2020, WTI has been holding at the US \$35.00 to US \$40.00 per barrel range with North Dakota oil prices being further discounted by between \$2 and \$6 per barrel.

Since the onset of the COVID crisis in March, North Dakota’s daily oil production has decreased by approximately a third from 1,500,000 barrels per day (“bpd”) in February 2020 to less than 1,000,000 bpd in recent months, which has reduced White Owl’s daily water disposal volumes from an average of 47,976 bpd in Q1 2020 to 35,842 bpd in Q3 2020. The associated decline in drilling and completion activity has reduced recovered oil volumes to 8,209 barrels in Q3 2020, down 50% from the pre-COVID level of 16,361 barrels in Q1 2020.

Financial Impact on White Owl

General

As a result of the present economic circumstances the entire industry is dealing with the adverse effects of market conditions on operating results.

- For White Owl, in North Dakota, materially lower disposal volumes combined with pricing pressure has resulted in lower revenues, operating income and cash flows.
- In October 2020, the Corporation entered into a joint venture agreement with Pivotal to recommission the facility. Based on the terms of the agreement, Pivotal will provide the necessary capital, marketing, trucking, and optimisation services to fully exploit the processing, blending and disposal business at Clairmont. White Owl temporarily shut down the Clairmont facility during Q2 2020, resulting in related costs totaling \$113,023 recorded in Q2 2020, including severance expenses. The facility is forecast to be operational again by December 2020.

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Reduction in Expenses

To lessen the financial impact resulting from lower volumes and revenues, White Owl immediately took steps to reduce both field operating and office administrative costs in North Dakota and Alberta. The result has been a 46% reduction in G&A costs in Q3 2020 compared to Q3 2019. G&A for the 2020 year is forecast to decrease 47% compared to 2019. The following is a summary of the cost-cutting measures undertaken to date:

- Salary reductions of 10% for all employees;
- Reductions in staffing of field and office personnel;
- Reduced costs of materials, parts and services for the Corporation's operating facilities;
- Cancellation of all non-essential business travel;
- Office lease cost reductions;
- Reduced office expenses;
- Reduced field staffing accommodation, coveralls, cleaning supplies;
- Increased accounts receivable monitoring; and
- Reduced hourly rates charged by certain professional service providers.

Liquidity Management

With the COVID crisis and the resulting decrease in oil prices, all energy related businesses have had to address liquidity. White Owl recognised early on that it needed a plan to ensure that it could maintain liquidity and continue to service its oil producing customers who were also dealing with the fiscal implications of the crisis in their businesses. As a result, the Company has undertaken the following actions aimed at preserving cash and stabilising liquidity until these uncertain business conditions improve.

- Maintenance Capital:

Given these uncertain times, White Owl has reduced its maintenance capital program for 2020 by approximately one-third. The only monies being spent relate to necessary health, safety and environmental related projects.

- Growth Capital:

Growth projects have been put on hold to preserve cash with timing for these projects deferred to 2021, assuming economic conditions improve.

- Operating and General and Administrative Cost Savings:

Please refer to Cost-Cutting Measures above.

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- Government Subsidy Programs:

White Owl has successfully applied for three government assistance programs, including wage subsidization. In Canada, the Company has applied under the Canadian Emergency Wage Subsidy and the Canadian Emergency Business Account programs and has received \$187,598 to date. In North Dakota, the Company has received a loan of US \$356,810 which becomes a grant should the entire amount be applied to salaries and wages. We are anticipating that this loan will be forgiven.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following table of Financial and Operational Highlights for the three and nine months ended September 30, 2020, with comparatives for 2019, does not recognise volumes, revenues and expenses for the Watford City SWD from the date of the fire on January 17, 2019 to September 30, 2019. However, the business interruption insurance recovery amounts which replace lost income are recognised as a separate line item below operating income and are included in EBITDA and earnings for the three and nine months ended September 30, 2019.

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(\$000's, unless otherwise noted)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	%	2020	2019	%
North Dakota operations						
Disposal volumes (Bbls) ⁽¹⁾	3,297,465	3,419,178	-4%	10,587,208	8,828,042	20%
Recovered oil sales volumes (Bbls) ⁽¹⁾	8,209	15,982	-49%	35,018	35,722	-2%
Disposal revenue (\$ per Bbl)	\$0.66	\$0.95	-31%	\$0.76	\$0.86	-12%
Recovered oil sales revenue (\$ per Bbl)	\$42.44	\$61.07	-31%	\$41.61	\$62.82	-34%
Operating costs and royalties (\$ per Bbl)	\$0.60	\$0.69	-13%	\$0.65	\$0.89	-27%
North Dakota disposal and services revenue ⁽¹⁾						
Disposal revenue	\$2,170	\$3,251	-33%	\$7,995	\$7,588	5%
Recovered oil sales revenue	348	976	-64%	1,457	2,244	-35%
Other revenue	88	104	-15%	287	369	-22%
Total revenue – North Dakota ⁽¹⁾	2,606	4,331	-40%	9,739	10,201	-5%
Operating costs	(1,979)	(2,362)	-16%	(6,895)	(7,148)	-4%
Operating income – North Dakota ⁽¹⁾	\$627	\$1,969	-68%	\$2,844	\$3,053	-7%
Alberta operations ⁽²⁾						
Volumes (Bbls)						
Disposal and third-party processing	-	227,329	-100%	81,214	884,873	-91%
Oil and gas	-	-	-	-	1,856	-100%
Revenue						
Disposal and third-party processing	-	444	-100%	121	1,354	-91%
Oil and gas sales	-	-	-	1	99	-99%
Total revenue - Alberta	-	444	-100%	122	1,453	-92%
Operating costs	(144)	(374)	-61%	(830)	(1,646)	-50%
Operating loss - Alberta ⁽¹⁾	(\$144)	\$70	-306%	(\$708)	(\$193)	267%
Combined operations ⁽¹⁾						
Oilfield disposal and processing revenue	\$2,518	\$4,671	-46%	\$9,573	\$11,186	-14%
Oil and gas sales	-	-	-	1	99	-99%
Other revenue	88	104	-15%	287	369	-22%
Total revenue	2,606	4,775	-45%	9,861	11,654	-15%
Operating costs	(2,123)	(2,736)	-22%	(7,725)	(8,794)	-12%
Operating income ⁽¹⁾	483	2,039	-76%	2,136	2,860	-25%
General and administrative expenses ("G&A")	(314)	(579)	-46%	(1,232)	(1,768)	-30%
Insurance recovery – business interruption	-	588	-100%	-	1,913	-100%
EBITDA ⁽¹⁾	\$169	\$2,048	-92%	\$904	\$3,005	-70%
Other income and expenses						
Depreciation and depletion	(465)	(415)	12%	(1,391)	(1,296)	7%
Amortization	(15)	-	100%	(49)	-	100%
Impairment	-	-	-	(12,360)	(4,745)	160%
Finance costs	(180)	(325)	-45%	(579)	(999)	-42%
Share-based payments	(9)	(17)	-47%	(12)	(49)	-76%
Foreign exchange (losses) gains	154	(79)	295%	(124)	32	-488%
Gain on settlement of promissory notes	-	-	-	1,100	-	100%
Loss on disposal of property, plant and equipment - net	(52)	-	100%	(46)	(4)	1050%
Loss on abandonment	-	(6)	-100%	-	(79)	-100%
Insurance recovery – property damage	-	1,325	-100%	-	4,024	-100%
Income tax expense	(1)	-	100%	(4)	-	100%
Deferred income tax recovery	-	-	-	105	-	100%
Net Income (loss)	(\$399)	\$2,531	-116%	(\$12,456)	(\$111)	11122%

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 September 30, 2019.

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

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For the three months ended September 30, 2020, EBITDA was \$169,000, a positive improvement from negative \$230,000 in Q2 2020, but down significantly from EBITDA of \$2,048,000 in Q3 2019. The decrease in EBITDA is mainly due to lower North Dakota disposal revenue which declined 33% to \$2,170,000 in Q3 2020 from \$3,251,000 in Q3 2019. In addition, recovered oil revenues in the current quarter declined 64% to \$348,000 from \$976,000 in Q3 2019 as the realized net oil price decreased 31% to \$42.44 per barrel while recovered oil volumes decreased 49%. Q3 2019 EBITDA includes business interruption insurance recovery of \$588,000 to compensate White Owl for lost revenues relating to the January 17, 2019 Watford SWD facility fire.

Combined total revenue (North Dakota and Alberta) for the three months ended September 30, 2020 decreased 45% to \$2,606,000 from \$4,775,000 in Q3 2019. This decrease does not include Q2 2019 Watford City SWD business interruption insurance recoveries of \$588,000, which are recorded as a separate line item below operating income.

The decrease in combined total revenues in Q3 2020 is mainly due to the slowdown in oilfield activity in North Dakota and the temporary shut-in of the Clairmont facility in Alberta. This has resulted in lower disposal fees per barrel (down 31%) and lower realized net oil price (also down 31%). Combined operating costs decreased 22% for the three months ended September 30, 2020 to \$2,123,000 compared to \$2,736,000 in Q3 2019. This decrease was mainly due to cost-cutting initiatives undertaken by White Owl in Q2 2020, and the inclusion of insurance deductibles in Q2 2019 relating to the Watford City SWD facility fire.

For the nine months ended September 30, 2020, EBITDA decreased 70% to \$904,000 from \$3,005,000 in the nine months ended September 30, 2019. In North Dakota operating income (revenues less operating costs) decreased to \$2,844,000 in the nine months ended September 30, 2020 from \$4,966,000 in the comparable period of 2019, with the decrease being mainly due to lower recovered oil volumes and revenues as a result of the decreased oil prices and lower flowback revenues. (Note that the operating income of \$4,966,000 for the nine months ended September 30, 2019 included a business interruption insurance recovery of \$1,913,000 relating to the Watford City SWD).

North Dakota

Volumes:

For the nine months ended September 30, 2020, North Dakota oil sales volumes remained relatively consistent at 35,018 barrels compared to 35,722 barrels in the comparable 2019 period. Recovered oil volume sales in the first quarter of 2020 were strong (16,360 barrels), while the second and third quarters of 2020 were impacted by the economic downturn, with oil volume sales of 10,449 barrels and 8,209 barrels, respectively. The Ross and New Town SWDS accounted for 71% of total recovered oil sales volumes in the nine months ended September 30, 2020 compared to 89% in the 2019 comparable period. The Watford City SWD contributed

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21% of recovered oil volumes in the nine months ended September 30, 2020 compared to zero for the comparable period in 2019 when this facility was undergoing reconstruction.

For the three months ended September 30, 2020, fluid disposal volumes (trucked, pipeline, flowback water and Class 1 water) decreased 4% to 35,842 bpd from 37,165 bpd in Q3 2019. These volumes include 148 bpd in Q3 2020 and 814 bpd in Q3 2019 for the Alexander Class 1 facility. In the prior year quarter, fluid disposal volumes exclude Watford City SWD volumes from January 17, 2019 due to the fire.

For the nine months ended September 30, 2020, fluid disposal volumes (trucked, pipeline, flowback water and Class 1 water) increased 20% to 38,639 bpd from 32,337 bpd in the comparable nine-month period of 2019. The inferred increase in volumes during the COVID slow down is an anomaly and due to the absence of Watford City SWD volumes in 2019 when the facility was undergoing reconstruction. Volumes for the nine months ended September 30, 2020 and September 30, 2019 include 334 bpd and 333 bpd, respectively, of Class 1 volumes from the Alexander Class 1 facility.

Revenue and Pricing:

For the three months ended September 30, 2020, North Dakota total revenue decreased 40% to \$2,606,000 from \$4,331,000 in Q3 2019. This decrease included an 85% decrease in revenues from the Alexander Class 1 facility to \$81,000 in Q3 2020 from \$535,000 in Q3 2019.

Recovered oil revenues for North Dakota decreased 64% to \$348,000 in Q3 2020 from \$976,000 in Q3 2019. This was a result of a 49% decrease in fluid volumes combined with a 31% decline in the realized net oil price to \$42.44 per barrel in Q3 2020 from \$61.07 per barrel in the comparable quarter of the prior year.

The economic slowdown resulted in pricing pressure for trucked-in water at most of the Corporation's SWD facilities in the second and third quarters of 2020. Pre COVID, the range of pricing for trucked-in water was US \$0.50 to US \$0.60 per barrel, while currently it ranges from US \$0.40 to US \$0.50 per barrel. Specifically, price decreases have been implemented at Watford City SWD (down 30%), New Town SWD (down 15%), Tioga SWD (down 13%) and Epping SWD (down 9%). Trucked-in water disposal prices remained consistent at the Ross SWD. Similarly, flowback pricing has decreased due to competitive pressures by an average of 25% for the Corporation's Class 2 water disposal facilities.

Revenues from fluid disposal services in Q3 2020 were \$2,170,000 compared to \$3,251,000 in Q3 2019. As previously mentioned the Watford City SWD generated no revenue in Q3 2019 due to its complete destruction by fire in Q1 2019.

Other revenue decreased to \$88,000 for the three months ended September 30, 2020 compared to \$104,000 in Q3 2019 mainly due to lower operating costs at the Tioga and Epping SWDS resulting in lower administrative fees for White Owl.

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For the nine months ended September 30, 2020, total revenue decreased 5% to \$9,739,000 from \$10,201,000 in the 2019 comparable nine-month period. This decrease was mainly due to the previously mentioned decrease in flowback and recovered oil revenues. Revenues from North Dakota fluid disposal services increased 5% to \$7,995,000 for the nine months ended September 30, 2020 from \$7,588,000 for the 2019 comparable period. As mentioned previously, this anomaly was a result of the absence of Watford City SWD revenues in the comparable 2019 period due to the fire. If the business interruption proceeds were included in the 2019 revenue, then revenues from North Dakota fluid disposal services would have decreased 16% in the current nine-month period compared to the 2019 comparable period.

Operating Costs:

For the three and nine months ended September 30, 2020, North Dakota operating costs decreased 16% to \$1,979,000 and decreased 4% to \$6,895,000, respectively, from \$2,362,000 and \$7,148,000 in the comparable 2019 periods, respectively. The decrease in North Dakota operating costs is due to cost-cutting measures implemented in 2020 in response to the economic downturn and include a salary reduction for all professional staff and hourly paid employees, the elimination of three field mid-management positions and reductions in several other cost categories.

Operating Income:

For the nine months ended September 30, 2020, operating income (including business interruption insurance recovery of \$1,913,000 for 2019) decreased 43% to \$2,844,000 from \$4,966,000 as at September 30, 2019 as results of operations have been impacted by the slowdown in oilfield drilling and completion activity. Combined with production curtailments by producers, this resulted in Q3 2020 operating income decreasing 75% to \$627,000 from \$2,557,000 in Q3 2019. The Q3 2019 operating income includes a business interruption insurance recovery of \$588,000 from the Watford City SWD fire claim plus operating income from the remaining facilities of \$1,969,000).

Alberta

On October 27, 2020, White Owl signed a CO&O with Pivotal, aimed at creating a transparent marketing, infrastructure, and crude oil optimization business at the Clairmont terminal. This is a positive development for the Clairmont terminal which was temporarily shut-down in April 2020 due to market conditions. Under the CO&O, Pivotal proposes to invest an estimated \$2.7 million in the Clairmont terminal to fund minor capital upgrades, the recompletion of an existing well in the Belloy formation for water disposal and the construction of a butane blending business. The existing custody transfer meter will also be upgraded, as will the water disposal filter and injection system. White Owl will continue to own the assets and operate the joint venture. The resulting joint venture operating income is forecast to eliminate the cash losses at the Clairmont terminal and provide the Company with cash flow that could partially be deployed on the well abandonment program

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contemplated on the Clairmont property. The CO&O also contemplates further expansion at the site to meet the improving market conditions forecast as Montney development increases to meet Kitimat LNG project gas demand. Recent information provided from ATB Institutional Research speaks positively on oil and gas activity in the Grande Prairie area.

The waste water disposal well at the Clairmont terminal is expected to be recommissioned in Q4 2020, while the butane blending business is expected to be commissioned in Q2 2021.

For the three and nine months ended September 30, 2020, the Clairmont terminal incurred operating losses of \$144,000 and \$708,000, respectively, compared to operating income of \$70,000 and operating losses of \$193,000 in the 2019 comparable periods, respectively.

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Revenue and operating income (loss) by facility

	Three months ended September 30,			Nine months ended September 30,		
(\$000's)	2020	2019		2020	2019	
Oilfield waste disposal and oil sales						
New Town	792	1,732	-54%	2,876	4,848	-41%
Watford City ⁽¹⁾	626	-	100%	2,010	175	1049%
Ross	528	1,363	-61%	2,183	2,420	-10%
Alexander	81	535	-85%	542	610	-11%
Tioga JV	358	371	-4%	1,370	1,118	23%
Epping	133	226	-41%	471	661	-29%
Clairmont	-	444	-100%	121	1,354	-91%
	2,518	4,671	-46%	9,573	11,186	-14%
Oil and gas revenue	-	-	-	1	99	-99%
Other income	88	104	-15%	287	369	-22%
Total revenue	2,606	4,775	-45%	9,861	11,654	-15%
Operating income (loss)						
New Town	87	886	-90%	720	2,319	-69%
Watford City	265	(241)	210%	724	(873)	183%
Ross	68	665	-90%	685	815	-16%
Alexander	(27)	324	-108%	(220)	(57)	286%
Tioga JV ⁽²⁾	116	161	-28%	546	499	9%
Epping	30	71	-58%	101	(18)	661%
Clairmont-Midstream	(88)	172	-151%	(512)	340	-251%
	451	2,038	-78%	2,044	3,025	-32%
Oil and gas operating loss	(56)	(103)	-46%	(195)	(534)	-63%
Other revenue	88	104	-15%	287	369	-22%
Combined operating income	483	2,039	-76%	2,136	2,860	-25%

¹⁾ For the three and nine months ended September 30, 2019, the Company received business interruption recovery proceeds of \$588,000 and \$1,913,000, respectively, which amounts are included in EBITDA as a separate line item below operating income.

²⁾ Effective January 1, 2020, the Company acquired an additional 15% interest in the White Owl Tioga Joint Venture bringing its total working interest to 47% compared to 32% in the 2019 comparable periods.

New Town SWD Facility

Volumes:

For the three and nine months ended September 30, 2020, the new Town facility lost volume due to the economic downturn with capacity utilization of 70% and 75%, respectively, compared to capacity utilization of 92% and 95%, respectively, in the same periods of 2019.

Total fluids disposed (production water and flowback) decreased 25% and 21% to 11,847 bpd and 12,709 bpd respectively, in the three and nine months ended September 30, 2020 compared to 15,694 bpd and 16,150 bpd, respectively for the comparable 2019 periods. The reduced drilling and completion activity in the area also resulted in flowback volumes decreasing 97% which led to Q3 2020 recovered oil volumes declining 72% to 2,468 barrels from 8,852 barrels in Q3 2019. Similarly, the reduced activity resulted in recovered oil volumes declining 61% to 8,197 barrels for the nine months ended September 30, 2020, from 20,952 barrels in the prior year comparable period.

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Revenues and Pricing:

For the three and nine months ended September 30, 2020, total New Town SWD facility revenues decreased 54% and 41%, respectively, to \$792,000 and \$2,876,000 compared to \$1,732,000 and \$4,848,000 for the comparable 2019 periods. The lower revenues were due to reduced fluid disposal and recovered oil volumes combined with lower pricing (down 15% for trucked-in water, 59% for flowback and 31% for the realized net oil price in Q3 2020 versus Q3 2019). The high percentage decrease in flowback pricing was due to the inclusion of premium pricing in 2019 for disposal of flood water. For the nine months ended September 30, 2020, the unfavourable market conditions led to trucked water, flowback and recovered oil prices declining 7%, 25% and 34%, respectively, from the comparable period in 2019.

Operating Costs:

Operating costs decreased 17% to \$705,000 in Q3 2020 from \$846,000 in Q3 2019, while for the nine months ended September 30, 2020, operating costs decreased 15% to \$2,156,000 from \$2,529,000 in the comparable 2019 period. The reduction in volumes combined with cost-cutting measures implemented in Q2 2020 led to lower operating costs for the periods under review. The percentage decrease in operating costs is less than the percentage decrease in volumes due to the fixed component of operating costs.

Operating Income:

For the three and nine months ended September 30, 2020, the New Town SWD facility generated operating income of \$87,000 and \$720,000, respectively, compared to \$886,000 and \$2,319,000 for the 2019 comparable periods, respectively. This decrease was due to lower disposal and recovered oil combined with lower oil prices.

Watford City SWD Facility

Volumes:

In Q3 2020, the Watford City SWD has operated at approximately 70% of capacity with total fluids disposed of 10,294 bpd, a considerable improvement from the 40% capacity utilization in Q2 2020. The lower capacity utilization in the prior quarter is mainly due to shut-in oil production from two main customers in response to the oil price collapse. For the nine months ended September 30, 2020, the facility operated at approximately 60% of capacity with total fluids disposed of 8,997 bpd. In the comparable period of 2019 no volumes were received as the facility was undergoing reconstruction.

Revenues and Pricing:

For the three and nine months ended June 30, 2020, Watford SWD facility revenues totaled \$626,000 and \$2,010,000, respectively. Due to pricing pressure, disposal pricing for trucked production water was reduced

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in Q2 2020 to US \$0.40 per barrel from US \$0.60 per barrel and flowback disposal pricing was reduced to US \$1.25 per barrel from US \$1.60 per barrel. In addition, revenues were further impacted by lower realized net oil prices due to the economic downturn.

Operating Costs:

For the three and nine months ended September 30, 2020, Watford SWD facility operating costs totaled \$361,000 and \$1,286,000, respectively. At this facility, the cost-cutting measures included a reduction in the required number of operators because of the reduced volume levels as well as wage rollbacks and the reduction of other operating costs.

Operating Income:

For the three and nine months ended September 30, 2020, operating income totaled \$265,000 and \$724,000, respectively. For the three and nine months ended September 30, 2019, the Watford SWD facility recorded operating income of \$347,000 and \$1,040,000 which consisted of business interruption insurance recovery proceeds.

Ross SWD Facility

Volumes:

For the nine months ended September 30, 2020, total fluids disposed (production water and flowback) remained consistent at 7,919 bpd compared to 8,015 bpd for the comparable 2019 period. However, Q3 2020 was impacted by significantly reduced area activity by producers with total fluids disposed decreasing 56% to 5,833 bpd from 13,252 bpd in Q3 2019.

For the nine months ended September 30, 2020, recovered oil volumes increased 54% to 16,635 barrels from 10,811 barrels in the comparable 2019 nine-month period due to very strong recovered oil sales in the first quarter of 2020. Due to significantly lower flowback volumes in Q3 2020 (down 97% from Q3 2019), recovered oil volumes for the current quarter decreased 36% to 3,866 barrels from 6,070 barrels in Q3 2019.

Revenues and Pricing:

For the nine months ended September 30, 2020, total revenues decreased 10% to \$2,183,000 from \$2,420,000 for the comparable 2019 period. For the three months ended September 30, 2020, total revenues decreased 61% to \$528,000 from \$1,363,000 for the comparable period in 2019. Although oil and gas activity has declined in the area, pricing for trucked in water disposal has remained flat for this facility in the periods under review. However, flowback pricing has experienced competitive pressure, having decreased 10% in Q3 2020 compared to Q3 2019. For the nine months ended September 30, 2020, recovered oil revenues remained constant compared to the 2019 comparable period as the 54% increase in recovered oil volumes was offset by

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a 35% decrease in the realised net oil price. However, for the nine months ended September 30, 2020, flowback revenues decreased 92%, matching the significant decline in flowback volumes due to reduced oilfield activity.

Operating Costs:

For the three months ended September 30, 2020, operating costs decreased 34% to \$460,000 from \$698,000 in Q3 2019, mainly as a result of lower disposal volumes. For the nine months ended September 30, 2020, operating costs decreased 7% to \$1,498,000 from \$1,605,000 in the prior year.

Operating Income:

For the nine months ended September 30, 2020, operating income decreased 16% to \$685,000 from \$815,000 for the comparable period in 2019. Although water revenues increased 17% (volumes up 16%) and operating costs decreased 7%, this was more than offset by lower flowback revenues (down 92%). For the three months ended September 30, 2020, operating income for the Ross SWD facility decreased to \$68,000 from \$665,000 in Q3 2019 mainly due to the 56% decrease in fluid disposal volumes and a 36% decrease in recovered oil volumes as well as lower oil pricing (down 31%).

Tioga SWD JV

For the three and nine months ended September 30, 2020, White Owl had a 47% working interest in the Tioga SWD Joint Venture (“Tioga JV”). White Owl increased its interest in the Tioga JV effective January 1, 2020, through the purchase of a 15% interest in the Tioga JV from the White Owl Tioga LLC. 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 Q3 2019 represent a 32% interest in the Tioga JV.

Volumes:

The Tioga SWD began the third quarter on a strong note with July 2020 fluid disposal volumes averaging 15,152 barrels per day, or 95% of its capacity of 16,000 bpd. However, in August and September 2020, fluid disposal volumes decreased to 10,812 bpd and 9,261 bpd, respectively. There are two main reasons for this decrease in volumes disposed over the quarter: (i) Hess Corporation (“Hess”) has slowed production from all their wells in the Tioga area and (ii) Hess commissioned a new SWD in September 2020 resulting in the diversion of pipeline volumes from the Tioga SWD to their newly constructed SWD which is on the same gathering system. Hess had provided White Owl with a forecast showing sufficient volumes for both SWD’s, but this forecast was recently revised to reflect reduced oil and gas production and activity in the area.

Reduced production from Hess and diversion of pipeline flows to Hess’ new SWD results in a volume projection for Q4 2020 of 3,000 to 4,000 bpd with oil sales of 300 to 400 barrels per month.

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Total fluids disposed decreased 26% to 11,769 bpd in Q3 2020 from 15,824 bpd in Q3 2019 while for the nine months ended September 30, 2020 total fluids disposed decreased 12% to 13,715 bpd from 15,535 bpd in the comparable 2019 period. Flowback volumes are generally insignificant at the Tioga SWD because capacity is usually filled with trucked and pipeline water as a result of commitments to customers.

In Q3 2020, production water received at the Tioga SWD by truck increased to 40% of total fluid volumes from 25% in Q3 2019 while production water received by pipeline decreased to 60% of total fluid volumes disposed in Q3 2020 compared to 74% in Q3 2019. Recovered oil volumes decreased 85% to 232 barrels in Q3 2020 from 1,561 barrels in Q3 2019, mainly due to lower volumes disposed and because there were no oil volume sales in August and September 2020.

For the nine months ended September 30, 2020, production water received by truck increased to 47% of total fluid volumes from 40% in the comparable 2019 period, while production water received by pipeline decreased to 53% of total fluid volumes disposed compared to 60% in the nine months ended September 30, 2019. Recovered oil volumes decreased 15% to 4,507 barrels in the nine months ended September 30, 2020 from 5,304 barrels in the comparable 2019 period, mainly due to the lower fluid volumes disposed.

Revenues and Pricing:

For the nine months ended September 30, 2020, Tioga SWD facility total revenues increased 23% to \$1,370,000 from \$1,118,000 for the comparable period in 2019. The revenue from the additional 15% working interest acquired by the Corporation more than offset the impact of the lower disposal volumes. The additional 15% working interest accounted \$437,000 of the revenue for the nine months ended September 30, 2020. The trucked-in disposal price was down 9% for the nine months ended September 30, 2020 relative to the comparable 2019 period, while the realized net oil price decreased 29% over the same period due to market conditions.

For the three months ended September 30, 2020, Tioga SWD total revenues decreased marginally to \$358,000 from \$371,000 in Q3 2019, as the revenue from the additional 15% working interest acquired by the Company offset the impact of the lower disposal volumes. The additional 15% working interest accounted for \$114,000 of the third quarter revenue. At the 100% working interest level, the total revenues for this facility decreased 35% due to the economic slowdown. There was a 13% price decrease for trucked-in water disposal in Q3 2020 compared to Q3 2019 as a result of market conditions, while pricing for pipeline water remained flat as pipeline water pricing is contract based. In Q3 2020, recovered oil revenues decreased 85% due to lower oil volume sales (down 85%) and lower prices (down 32%).

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Operating Costs:

For the three months ended September 30, 2020, operating costs increased to \$242,000 from \$210,000 in Q3 2019, while for the nine months ended September 30, 2020 operating costs increased 33% to \$824,000 from \$619,000 in the 2019 comparable period. Ignoring the pro-rata share of operating costs related to the additional working interest, operating costs at the 100% level decreased 22% and 9% in the three and six months ended June 30, 2020, respectively, compared to the 2019 comparable periods. This decrease was due to reduced total fluids disposed in the periods under review (26% and 12%, respectively).

Operating costs for Q4 2020 will be further reduced from those in Q3 2020 as a result of a recent decrease in operating hours from 24 hours per day to 12 hours per day. This decrease in operating hours has reduced direct labor costs by 50%. In addition, the indirect costs at the Tioga SWD have been reduced to reflect the lower volumes and resulting lower revenue.

Operating Income:

For the nine months ended September 30, 2020 operating income increased 9% to \$546,000 from \$499,000 in the 2019 comparable period, with the increase in working interest accounting for \$174,000 of the operating income. For the three months ended September 30, 2020, operating income decreased to \$116,000 from \$161,000 in Q3 2019 as the lower volumes and pricing more than offset the operating income relating to the additional working interest acquired.

Alexander Class 1 Facility

White Owl's Class 1 water disposal business was established during the latter part of 2019, has an industrial customer base. 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:

For the nine months ended September 30, 2020, volumes disposed totaled 91,367 barrels, matching the 91,827 barrels disposed in the prior year's comparable period. In Q3 2020, volumes disposed totaled 13,584 down significantly from 74,878 barrels in Q3 2019. Importantly, White Owl launched a marketing program early in Q3 2020 to attract customers from neighboring States. Positive results from this initiative are expected for 2021.

Operating results for the second and third quarters of 2020 were impacted by lower landfill disposal of drill cuttings due to reduced drilling and completion activity. Reduced oilfield activity combined with very dry weather over the summer resulted in lower leachate and other non-hazardous waste for disposal.

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Revenues and Pricing:

For the nine months ended September 30, 2020, revenues decreased 11% to \$542,000 from \$610,000 in the comparable 2019 period mainly due to a 13% decrease in pricing. In Q3 2020, Alexander revenues decreased to \$81,000 compared to \$535,000 in Q3 2019, due to the significant decrease in disposal volumes.

Operating Costs:

Operating costs for the three months ended September 30, 2020 decreased 50% to \$108,000 from \$211,000 in Q3 2019 due to cost cutting initiatives in response to the lower disposal volumes. Operating costs for the nine months ended September 30, 2020 were up 14% to \$762,000 from \$667,000 in the 2019 comparable period. This increase was due to a one-off well workover costing \$281,000 earlier in the year.

Operating Income:

In the three months ended September 30, 2020, White Owl recorded an operating loss of \$27,000 compared to operating income of \$324,000 in Q3 2019. The Q3 2020 loss was due to lower disposal volumes while in Q3 2019 disposal volumes were high due to very wet weather and higher drilling activity. For the nine months ended September 30, 2020, White Owl recorded an operating loss of \$220,000 compared to an operating loss of \$57,000 in the comparable 2019 period.

Epping SWD Facility

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. Hess continues to enquire about the development of the second well, but this project is unlikely to proceed until there is more visibility on improved market conditions or a volume guarantee from Hess.

Volumes:

The Epping SWD has been operating at near its capacity of approximately 7,300 bpd (gross) with total fluids disposed decreasing 12% to 6,387 bpd (gross) in Q3 2020 from 7,260 bpd (gross) in Q3 2019. The bulk of fluids received have been delivered via pipeline, however trucked in volumes are received when there is plant capacity. Pipeline water volumes have a lower oil content than trucked or flowback water and as a result, there has been lower oil revenues in the three and nine months ended September 30, 2020 compared to the comparable 2019 periods.

Pipeline water volumes accounted for 92% of total fluid volumes in Q3 2020 compared to 57% in Q3 2019. Recovered oil volumes were nil in Q3 2020 compared to 1,722 barrels (gross) in Q3 2019 when trucked-in production water volumes and flowback volumes were considerably higher.

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For the nine months ended September 30, 2020, total fluids disposed remained constant at 6,760 bpd (gross) compared to 6,802 bpd in the 2019 comparable period, with pipeline water volumes accounting for 89% of total fluid volumes in the current nine month period compared to 40% in the prior year period. Again, the proportionate increase in pipeline volumes led to recovered oil volumes decreasing 71% to 1,855 barrels in the current nine-month period compared to 6,310 barrels in the prior year period.

Revenues and Pricing:

For the three months ended September 30, 2020, Epping revenues (net to the White Owl) decreased 41% to \$133,000 from \$226,000 in Q3 2019 mainly due to lower trucked production water volumes (down 83%) and the absence of any reclaimed oil sales in the current quarter.

For the nine months ended September 30, 2020, Epping revenues (net to White Owl) decreased 29% to \$471,000 from \$661,000 in the 2019 comparable period mainly due to lower flowback and oil revenues. Flowback revenues decreased to nil for the nine months ended September 30, 2020 as there have been no flowback volumes in 2020 due to the drastic reduction in field well completion activity. Recovered oil revenues for the nine months ended September 30, 2020 decreased 80% due to a 71% decrease in oil volumes combined with a 33% drop in the realized net oil price.

Operating Costs:

Operating costs for Q3 2020 decreased 34% to \$103,000 from \$155,000 in Q3 2019. The decrease is mainly due to cost savings measures, including staff reductions, implemented in 2020 in response to the lower trucked-in and flowback water volumes and the associated decrease in recovered oil volumes. Operating costs for the nine months ended September 30, 2020 decreased 46% to \$370,000 from \$679,000 in the 2019 comparable period. This reduction was mainly due to the cost saving measures implemented in 2020 and the lower water and recovered oil volumes.

Operating Income:

For the nine months ended September 30, 2020, operating income increased to \$101,000 compared to an operating loss of \$18,000 for the 2019 comparable nine-month period. The operating loss in 2019 was due to well workover costs as well as due to ongoing commissioning costs. In Q3 2020, operating income decreased to \$30,000 from \$71,000 in Q3 2019 mainly due to the lower trucked-in and flowback water volumes and associated lower recovered oil sales.

Canada - Clairmont Processing and Disposal Plant

The overriding positive development in Q3 2020 was the signing of the CO&O with Pivotal for the Clairmont terminal which had been temporarily shut-down since April 2020 due to deteriorating market conditions. This agreement is forecast to eliminate the cash losses at the Clairmont terminal and provide the Company with cash

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flow that could partially be deployed on the 2021 well abandonment program contemplated for the Clairmont property.

In Q3 2020, total Clairmont operations (midstream plus oil and gas production) incurred an operating loss of \$144,000 (midstream loss of \$88,000 and oil and gas loss of \$56,000) compared to operating income of \$69,000 (midstream operating income of \$172,000 less oil and gas loss of \$103,000) in Q3 2019. For the nine months ended September 30, 2020, the combined midstream and oil and gas operating loss totaled \$707,000 compared to an operating loss of \$194,000 in the 2019 comparable nine-month period. The increased operating loss in the 2020 nine-month period is mainly due to costs incurred to shut down the facility in April 2020.

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 September 30, 2020, other revenue decreased to \$88,000 from \$104,000 in Q2 2019 mainly due to lower operating costs at the Tioga and Epping SWDS resulting in lower administrative fees for White Owl. For the nine months ended September 30, 2020, other revenue decreased to \$287,000 from \$369,000 in the 2019 comparable period mainly due to lower operating costs in the current year and due to Epping SWD capital overhead fees earned in the prior year period when construction of this facility was completed.

G&A Expenses

	Three months ended September 30,		Nine months ended September 30,	
(\$000's)	2020	2019	2020	2019
Salaries and management	164	270	\$571	\$816
Professional fees	75	188	356	578
Travel and related expenses	9	32	46	100
General office expenses	52	79	215	245
Third party consulting fees	17	14	53	42
Lease liability recoveries	(3)	(4)	(9)	(13)
	314	579	\$1,232	\$1,768

In Q3 2020, cost-cutting measures implemented at the beginning of the second quarter resulted in G&A expenses decreasing 46% to \$314,000, or 12% of total revenue, from \$579,000, or 12% of total revenue in Q3 2019. Salaries and management expenses decreased 39% due to staff reductions and salary rollbacks. For the three and nine months ended September 30, 2020, \$72,160 and \$165,579, respectively, was credited to salaries and management expenses in respect of amounts received under the Canadian Emergency Wage Subsidy program. Professional fees for the three months ended September 30, 2020 decreased 60% compared to Q3 2019 due mainly to lower financial advisory and legal costs.

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For the nine months ended September 30, 2020, G&A expenses decreased 30% to \$1,232,000 from \$1,768,000 in the comparable 2019 nine-month period as the previously mentioned cost-cutting measures took effect in the second quarter.

Depreciation and Depletion

Depreciation and depletion for the three months ended September 30, 2020 totaled \$465,000 compared to \$415,000 in Q3 2019, while for the nine months ended September 30, 2020, depreciation and depletion increased 7% to \$1,391,000 from \$1,296,000 in the same nine-month period in 2019. The increase in 2020 is primarily due to increased depreciation for the Watford SWD which returned to full operation in Q4 2019 which was undergoing reconstruction for most of 2019.

Impairment

At September 30, 2020, White Owl evaluated its property, plant and equipment for indicators or any potential impairment or related reversal. As a result of this assessment, no indicators were identified, and no impairment or related reversal was recorded on White Owl's property, plant and equipment assets for the three months ended September 30, 2020.

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 the Watford City CGU and New Town CGU, all due to the current challenging economic climate brought about by factors including the COVID health pandemic and associated 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 in Q1 2020. 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 Terminal (\$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 (\$2,549,289) and the New Town SWD (\$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 Terminal 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

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conditions improve, the Company may be able to reinstate amounts previously written off against property, plant and equipment, but goodwill cannot be reinstated.

Insurance Proceeds

In the first quarter of 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 the Watford City SWD which was destroyed by fire in January 2019 and returned to full operation in October 2019. With this final payment, White Owl recovered 100% of reconstruction costs and lost income resulting from the fire.

Finance costs

	Three months ended September 30,		Nine months ended September 30,	
(\$000's)	2020	2019	2020	2019
Interest on term loan	\$142	\$221	\$467	\$791
Interest on promissory notes and mortgage payable	11	9	27	25
Interest on lease liabilities	6	4	16	14
Accretion of decommissioning obligations	12	28	50	92
Interest (income) expenses bank charges and other	9	63	19	77
	\$180	\$325	\$579	\$999

The decrease in interest on term loan in Q3 2020 compared to Q3 2019 is mainly due to lower interest rates and principal outstanding. In Q3 2020, the Company's average term loan interest rate was 5.75% compared to an average of 7.38% in Q3 2019 and compared to 6.7% for the 2019 year. For the nine months ended September 30, 2020, the Company's average term loan interest rate was 6.15% compared to an average of 7.68% in the 2019 comparable nine-month period. 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. The Company is currently negotiating an Amended Credit Agreement with its senior lender.

Foreign Exchange Losses, Gains

For the three months ended September 30, 2020, the Company recorded foreign exchange gains of \$154,000, compared to foreign exchange losses of \$79,000 in Q3 2019. For the nine months ended September 30, 2020, the Company recorded foreign exchange losses of \$124,000 compared to foreign exchange gains of \$32,000 in the prior year comparable nine-month period. 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 September 30, 2020 was 1.3316 compared to 1.3206 for Q3 2019. For the nine months ended September 30, 2020, the average exchange rate was 1.3535 compared to 1.3291 for the prior year comparable nine-month period.

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Share-based payments

During Q3 2020 the Company recorded share-based payments of \$9,000 compared to \$17,000 in Q3 2019, while for the nine months ended September 30, 2020, the Company recorded share-based payments of \$12,000 compared to \$49,000 in the prior year comparable nine-month period. 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)	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Revenue	\$2,606	\$2,607	\$4,648	\$5,289	\$4,776	\$3,475	\$3,403	\$3,925
EBITDA ⁽¹⁾	169	(230)	964	1,729	2,048	568	389	526
Net Income (loss)	(399)	(557)	(11,500)	(531)	2,531	1,154	(3,796)	(660)

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

Revenues, EBITDA and Net Loss in both the second and third quarters of 2020 have been impacted by market conditions as discussed under “**ECONOMIC ENVIRONMENT**” on Page 4 above. The net loss in Q1 2020 is mainly due to the recording of impairment charges totaling \$12,360,000 relating to the Clairmont, Watford City and New Town SWDS as discussed under “Impairment” above. The 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 Terminal. 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 City SWD 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 SWD and Alexander facility due to start-up expenses and an operating loss incurred by the Clairmont property 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.

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At September 30, 2020, the Company had negative working capital of \$8,251,000 (December 31, 2019 - \$8,475,000), an accumulated deficit of \$28,999,000 (December 31, 2019 - \$16,543,000) and a net loss for the nine months ended September 30, 2020 of \$12,456,000 (2019 - \$111,000 net loss). However, the current challenging economic climate brought about by factors including 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 (please see "ECONOMIC ENVIRONMENT" on Page 4). These factors indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. 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. The Company is in compliance with all terms of the amended and restated credit agreement as at September 30, 2020. 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 consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities, and reported revenues and expenses, that might be necessary should the Company be unable to continue as a going concern, and therefore, be required to realize its assets and discharge its liabilities other than in the normal course of business and at carrying amounts different from those reflected in the accompanying consolidated financial statements. Any such adjustments could be material.

Investing Activities

Capital Expenditures and Acquisition of Joint Venture Interest

	Three months ended September 30,		Nine months ended September 30,	
(\$000's)	2020	2019	2020	2019
Capital expenditures	241	1,630	519	4,576
Acquisition of 15% joint interest in Tioga Joint Venture	-	-	1,000	-
	241	2,622	1,519	4,576

Capital expenditures during the three and nine months ended September 30, 2020 include amounts for the installation of an automated metering and invoicing system, tank heaters, sump pump upgrades, truck offload improvements, static dissipators and spare parts inventory in respect of the Corporation's North Dakota facilities.

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Acquisition of 15% Interest in Tioga Joint Venture

In 2016, White Owl Tioga LLC, a 40% owner of the 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, the Company’s interest in Tioga SWD has increased to 47% after completion of the Redemption, while White Owl Tioga LLC’s interest has decreased to 25%.

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 September 30, 2020	65,633	21,118	26,469	12,353	92,102	33,471

As at September 30, 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 6,004,000 share options outstanding as of September 30, 2020 (December 31, 2019 – 1,689,000), with a weighted average exercise price of \$0.12 per share. In Q3 2020, 4,404,000 options were granted to directors, officers and employees at \$0.05 per option, and with an option expiry date of January 23, 2025. During the nine months ended September 30, 2020, 89,000 options expired and nil options were cancelled. 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 nine months ended September 30, 2020, the Company made principal payments on the Term Loan of \$581,262 (US\$426,622) (2019 - \$2,997,707 (US\$2,269,973)). The facilities are subject to review by the lender with the next annual review date set for September 30, 2020, but may be set at a later date at the sole discretion of the lender. 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 \$1,262 (December 31, 2019 - \$10,426). The Company had drawn \$nil on the Operating Loan at September 30, 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 September 30, 2020 was 1.46 to 1.00 (December 31, 2019 – 1.73 to 1.00).

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The ratio is calculated based on the trailing four quarters at September 30, 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 September 30, 2020 was 1.71 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 Clairmont Terminal 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 Statements for the three and nine months ended September 30, 2020.

OUTLOOK

The COVID crisis and the prevailing market conditions have had an impact on disposal volumes in North Dakota while in Alberta the Clairmont terminal which was temporarily shut in during Q2 2020, has attracted expansion capital and will be recommissioned by year end.

North Dakota

In North Dakota, drilling and completion activity remained slow during the quarter as producers reacted to the difficult market conditions by reducing capital spending. The rig count during the quarter averaged 13 rigs down from 61 rigs one year ago. Active drilling is needed to replace the steep declines in oil production that producers experience in the first twelve to eighteen months of production. Overall, while the Company saw decreases in production from our customers, a few have maintained their drilling and production levels.

Since the end of Q1 2020, produced water volumes in the Bakken have continued to decline along with oil production declines. White Owl's disposal facilities averaged 35,842 barrels of water per day ("bwpd") of disposal during Q3 2020 down from pre COVID levels of over 47,000 bwpd. At this time the outlook for 2021 continues to remain uncertain.

Alberta

The highlight for White Owl's Alberta business is the planned restart and expansion of the Clairmont terminal. During the quarter, management worked with Pivotal on the terms of agreement to develop the processing and disposal business at the Clairmont terminal. The scope of the agreement with Pivotal, which was executed in late October 2020, contemplates an initial investment of \$700,000 to recommission the plant and to expand the water disposal and metering capacity. A further investment of \$2 million is proposed for the first half of 2021

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and involves adding a butane blending capability to the plant. This is a 10-year agreement, and Pivotal anticipates funding further expansion as market conditions warrant.

This project is forecast to return the Clairmont terminal to profitability and the cash flow generated will allow the Company to fund its share of the proposed abandonment program for the suspended wells on the property. White Owl has applied for funding from the Canadian Federal Government's \$1.7 billion stimulus package announced during the second quarter of 2020. The Company anticipates that with a funding contribution from the government program it will be able to abandon as many as 4 wells during 2021. The abandonment program will continue as cashflow allows until the inventory of suspended wells on the Clairmont property has been fully abandoned or converted for water disposal.

We remain cognisant of the difficult operating environment that we face and accordingly, we continue to focus on employee safety and on controlling costs throughout the organisation. At the Clairmont terminal we will be monitoring progress so that the facility can contribute to earnings by Q2 2021, and in North Dakota we will be managing costs to ensure the business continues to generate positive cash flow.

Corporately, we have initiated discussions on the potential to divest of noncore assets and will continue to seek liquidity options for our shareholders once market conditions improve.

We also wish to advise you that the Corporation is planning to hold its Annual General Meeting on December 10, 2020. The meeting is being held at The Ranchmen's Club in Calgary and the Notice of Meeting, Instrument of Proxy and Information Circular will be mailed to shareholders in the next few days. Shareholders are asked to vote by proxy as attendance will be limited by local COVID-19 restrictions.

NON-GAAP MEASURES

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

FORWARD-LOOKING INFORMATION

This discussion contains forward-looking information, which is disclosure regarding possible events, conditions or financial performance that is based on assumptions about future courses of action and economic conditions. Such forward-looking information may be identified by words such as "anticipate", "will", "intend",

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"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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