November 10, 2020

REPORT TO OUR SHAREHOLDERS

To Our Shareholders,

We are pleased to provide you with the Condensed Consolidated Interim Financial Statements and Management's Discussion of Financial Results of White Owl Energy Services Inc. ("White Owl" or "the Corporation" or the "Company") for the three and nine months ended September 30, 2020, along with this Report To Our Shareholders.

<u>THIRD QUARTER AND YEAR TO DATE 2020 HIGHLIGHTS</u>

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 Blending, Construction, Ownership and Operating Agreement ("CO&O") with a Calgary based midstream group, Pivotal Energy Partners ("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.

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.

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.

- <u>Maintenance Capital:</u>

  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.

- <u>Growth Capital:</u>

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

- <u>Operating and General and Administrative Cost Savings:</u>

  Please refer to Cost-Cutting Measures above.

- 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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($000's, unless otherwise noted)	Three months ended September 30, **2020**	2019	%	Nine months ended September 30, **2020**	2019	%
North Dakota operations						
Disposal volumes (Bbls) [(1)]	**3,297,465**	3,419,178	-4%	**10,587,208**	8,828,042	20%
Recovered oil sales volumes (Bbls) [(1)]	**8,209**	15,982	-49%	**35,018**	35,722	-2%
Disposal revenue ($ 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.

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 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.

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 for the nine months ended 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 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.

OPERATING LOCATIONS (dollar amounts in USD except Clairmont):

New Town SWD

New Town Facility (amounts in USD except volumes)

		Q3 2020	Q3 2019	Change	YTD 2020	YTD 2019	Change
Production Water - Trucked	b/d	11,829	15,141	-22%	12,224	15,405	-21%
Flowback	b/d	18	551	-97%	485	745	-35%
Total Fluids Disposed	b/d	11,847	15,694	-25%	12,709	16,150	-21%
Oil Sales	b/qtr, yr	2,468	8,852	-72%	8,197	20,952	-61%
Revenue:							
Production Water - Trucked		$514,786	$778,029	-34%	$1,715,029	$2,325,982	-26%
Price for Production Water/bbl		0.47	0.56	-15%	0.51	0.55	-7%
Flowback		1,705	124,134	-99%	161,419	328,546	-51%
Price for Flowback/bbl		1.01	2.45	-59%	1.21	1.62	-25%
Recovered Oil		78,806	410,320	-81%	254,801	992,668	-74%
Price for Oil/bbl		31.93	46.35	-31%	31.08	47.38	-34%
Total Revenue		595,297	1,312,483	-55%	2,131,249	3,647,196	-42%
Total Revenue/bbl.		$0.55	$0.91	-40%	$0.92	$1.25	-26%
Operating Expenses		529,922	640,997	-17%	1,593,955	1,902,403	-16%
Operating Income		$65,375	$671,486	-90%	$537,294	$1,744,793	-69%

Volumes:

For the three and nine months ended September 30, 2020, the New Town SWD 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.

Revenues and Pricing:

For the three and nine months ended September 30, 2020, total New Town SWD revenues decreased 55% and 42%, respectively to $595,297 and $2,131,249 compared to $1,312,483 and $3,647,196, for the comparable 2019 periods. The lower revenues were due to the 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 $529,922 in Q3 2020 from $640,997 in Q3 2019, while for the nine months ended September 30, 2020, operating costs decreased 16% to $1,593,955 from $1,902,403 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 generated operating income of $65,375 and $537,294, respectively, compared to $671,486 and $1,744,793 for the 2019 comparable periods, respectively. This decrease was due to lower disposal and recovered oil volumes, combined with lower oil prices.

Watford City SWD

Watford Facility (amounts in USD except volumes)					
		Q3 2020	Q3 2019	YTD 2020	YTD 2019
Production Water - Trucked	b/d	8,214	0	7,510	687
Production Water - Piped	b/d	2,044	0	1,385	78
Flowback	b/d	36	0	102	2
Total Fluids Disposed	b/d	10,294	0	8,997	767
Oil Sales	b/qtr	1,766	0	7,465	210
Revenue:					
Production Water - Trucked		$318,955	$0	$1,032,419	$111,312
Price for Prodn. Water-Trucked/bbl		0.42	0.00	0.50	0.59
Production Water - Piped		90,232	0	182,122	10,128
Price for Prodn. Water Piped/bbl		0.48	0.00	0.48	0.47
Flowback		4,114	0	43,678	856
Price for Flowback/bbl		1.26	0.00	1.57	1.61
Recovered Oil		56,418	0	233,747	8,078
Price for Oil/bbl		31.95	0.00	31.31	38.47
Insurance recovery-business interruption		0	444,439	0	1,431,442
Other Income		0	0	0	1,230
Total Revenue		469,719	444,439	1,491,966	1,563,046
Total Revenue/bbl.		0.50	0.00		
Operating Expenses		270,896	0	950,030	129,568
Operating Income		$198,823	$444,439	$541,936	$1,433,478

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 September 30, 2020, Watford City SWD revenues totaled $469,719 and $1,491,966, respectively. Due to pricing pressure, disposal pricing for trucked production water was reduced in Q2 2020 to US $0.40 per barrel form 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 City SWD operating costs totaled $270,896 and $950,030, 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 $198,823 and $541,936, respectively. For the three and nine months ended September 30, 2019, the Watford City SWD recorded operating income of $444,439 and $1,433,478 which consisted solely of business interruption insurance recovery proceeds.

Ross SWD

Ross Facility (amounts in USD except volumes)

		Q3 2020	Q3 2019	Change	YTD 2020	YTD 2019	Change
Production Water - Trucked	b/d	5,768	11,156	-48%	7,824	6,736	16%
Flowback	b/d	65	2,096	-97%	95	1,278	-93%
Total Fluids Disposed	b/d	5,833	13,252	-56%	7,919	8,015	-1%
Oil Sales	b/qtr, yr	3,866	6,070	-36%	16,635	10,811	54%
Revenue:							
Production Water - Trucked		$265,335	$512,291	-48%	$1,071,868	$916,790	17%
Price for Production Water/bbl		0.50	0.50	0%	0.50	0.50	0%
Flowback		6,671	238,967	-97%	32,275	395,579	-92%
Price for Flowback/bbl		1.12	1.24	-10%	1.24	1.13	9%
Recovered Oil		122,605	280,260	-56%	511,583	511,592	0%
Price for Oil/bbl		31.71	46.17	-31%	30.75	47.32	-35%
Other Income		1,400	0	100%	1,400	0	100%
Total Revenue		396,011	1,031,518	-62%	1,617,126	1,823,961	-11%
Total Revenue/bbl.		0.74	0.86	-14%	$0.75	$0.83	-11%
Operating Expenses		345,401	528,248	-35%	1,106,181	1,209,662	-9%
Operating Income (Loss)		$50,610	$503,270	-90%	$510,945	$614,299	-17%

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 11% to $1,617,126 from $1,823,961 for the comparable 2019 period. For the three months ended September 30, 2020, total revenues decreased 62% to $396,011 from $1,031,518 for the comparable period in 2019. Although oil and gas activity has declined in the area, pricing for trucked in water disposal has remained constant 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 at $511,583 compared to $511,592 for the 2019 comparable period as the 54% increase in recovered oil volumes was offset by 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 35% to $345,401 from $528,248 in Q3 2019, mainly as a result of lower disposal volumes. For the nine months ended September 30, 2020, operating costs decreased 9% to $1,106,181 from $1,209,662 in the prior year.

Operating Income:

For the nine months ended September 30, 2020, operating income decreased 17% to $510,945 from $614,299 for the comparable period in 2019. Although water revenues increased 17% (volumes up 16%) and operating costs decreased 9%, 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 decreased to $50,610 from $503,270 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

Tioga (Volumes 100%, dollar amounts at 47% 2020 (32% 2019) in USD)							
		Q3 2020	Q3 2019	Change	YTD 2020	YTD 2019	Change
Production Water-Trucked	b/d	4,738	4,020	18%	6,485	6,167	5%
Production Water-Piped	b/d	7,030	11,728	-40%	7,208	9,250	-22%
Flowback	b/d	1	76	-98%	23	118	-81%
Total Fluids Disposed	b/d	11,768	15,824	-26%	13,715	15,535	-12%
Oil Sales	b/qtr	232	1,561	-85%	4,507	5,304	-15%
Revenue:							
Production Water - Trucked		$106,525	$71,015	50%	$455,015	$321,600	41%
Price for Prodn. Water-Trucked/bbl		0.52	0.60	-13%	0.54	0.60	-9%
Production Water - Piped		158,057	179,543	-12%	482,680	420,645	15%
Price for Prodn. Water Piped/bbl		0.52	0.52	0%	0.52	0.52	0%
Flowback		73	6,993	-99%	4,049	19,766	-80%
Price for Flowback/bbl		1.26	3.12	-60%	1.40	1.92	-27%
Recovered Oil		3,492	23,548	-85%	69,646	79,029	-12%
Price for Oil/bbl		32.03	47.15	-32%	32.88	46.56	-29%
			0		0	0	
Total Revenue		$268,149	281,097	-5%	1,011,389	841,040	20%
Total Revenue/bbl.		0.53	0.41	28%	0.27	0.20	36%
Operating Expenses		181,134	159,219	14%	608,282	465,342	31%
Operating Income		$87,014	$121,877	-29%	$403,107	$375,698	7%

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.

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 total revenues increased 20% to $1,011,389 from $841,040 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 for $322,784 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 $268,149 from $281,097 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 $85,579 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%).

Operating Costs:

For the three months ended September 30, 2020, operating costs increased 14% to $181,134 from $159,219 in Q3 2019, while for the nine months ended September 30, 2020 operating costs increased 31% to $608,282 from $465,342 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 nine months ended September 30, 2020, respectively, compared to the 2019 comparable periods. The 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 7% to $403,107 from $375,698 in the 2019 comparable period, with the increase in working interest accounting for $128,651 of the operating income. For the three months ended September 30, 2020, operating income decreased to $87,014 from $121,877 in Q3 2019 as the lower volumes and pricing more than offset the operating income relating to the additional working interest acquired.

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Alexander Class 1 Facility

Alexander Facility (Amounts in USD except volumes)								
		Q3 2020	Q3 2019	Change	YTD 2020	YTD 2019	Change
Class 1 Water-Trucked	b/d	148	823	-82%	333	336	-1%
Total Fluids Disposed	b/d	148	823	-82%	333	336	-1%
Class 1 Water	b/qtr, yr	13,583	74,878	-82%	91,367	91,827	-1%
Revenue:							
Class 1 Water		$61,068	$405,720	-85%	$399,579	$461,647	-13%
Price for Class 1 Water		4.50	5.42	-17%	4.37	5.03	-13%
Total Revenue		61,068	405,720	-85%	399,579	461,647	-13%
Total Revenue/bbl.		4.50	5.42	-17%	4.37	5.03	-13%
Operating Expenses		80,990	160,472	-50%	558,478	502,382	11%
Operating Income (Loss)		$ (19,922)	$ 245,248	108%	$ (158,899)	$ (40,735)	-290%

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.

Revenues and Pricing:

For the nine months ended September 30, 2020, revenues decreased 13% to $399,579 from $461,647 in the comparable 2019 period mainly due to a 13% decrease in pricing. In Q3 2020, Alexander Class 1 revenues decreased to $61,068 compared to $405,720 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 $80,990 from $160,472 in Q3 2019 due to lower volumes and cost cutting initiatives. Operating costs for the nine months ended September 30, 2020 were up 11% to $558,478 from $502,382 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 $19,922 compared to operating income of $245,248 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 $158,899 compared to an operating loss of $40,735 in the comparable 2019 period.

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Epping SWD JV

Epping (Volumes 100%, Dollar amounts at 32.5% Working Interest in USD)							
		Q3 2020	Q3 2019	Change	YTD 2020	YTD 2019	Change
Production Water-Trucked	b/d	483	2,879	*-83%*	758	3,818	*-80%*
Production Water-Piped	b/d	5,905	4,126	*43%*	6,002	2,706	*122%*
Flowback	b/d	0	256	*-100%*	0	278	*-100%*
Total Fluids Disposed	b/d	6,387	7,260	*-12%*	6,760	6,802	*-1%*
Oil Sales	b/qtr, yr	0	1,722	*-100%*	1,855	6,310	*-71%*
Revenue:							
Production Water-Trucked		$7,898	$51,650	*-85%*	$39,732	$202,378	*-80%*
Price for Production Water/bbl		0.55	0.60	*-9%*	0.59	0.60	*-1%*
Production Water-Piped		91,806	80,180	*14%*	288,657	155,452	*86%*
Price for Production Water/bbl		0.52	0.65	*-20%*	0.54	0.65	*-17%*
Flowback		3	13,176	*-100%*	3	42,188	*-100%*
Price for Flowback/bbl		1.29	1.72	*-25%*	0.52	1.71	*-70%*
Recovered Oil		0	25,753	*-100%*	19,122	97,231	*-80%*
Price for Oil/bbl		0.00	46.02	*-100%*	31.72	47.41	*-33%*
Other Income		0	0	*100%*	650	0	
Total Revenue		99,706	170,759	*-42%*	348,164	497,250	*-30%*
Total Revenue/bbl.		0.52	0.79	*-34%*	0.58	0.82	*-30%*
Operating Expenses		77,314	117,621	*-34%*	272,764	510,439	*-47%*
Operating Income		$ 22,392	$53,138	*-58%*	$75,400	-$13,189	*-672%*

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 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.

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 SWD revenues (net to White Owl) decreased 42% to $99,706 from $170,759 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 SWD revenues (net to White Owl) decreased 30% to $348,164 from $497,250 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 $77,314 from $117,621 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 47% to $272,764 from $510,439 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 $75,400 compared to an operating loss of $13,189 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 $22,392 from $53,138 in Q3 2019 mainly due to the lower trucked-in and flowback water volumes and associated lower recovered oil sales.

Canada - Clairmont Terminal

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 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.

CORPORATE MATTERS

It is noteworthy that White Owl has reduced its term debt to US $7,691,031 at September 30, 2020 from US $8,117,653 at December 31, 2019, and from US$10,797,694 at December 31,2018. Even with the uncertain times faced by the industry in 2020, White Owl has continued to service its debt, meeting all interest payments in a timely manner and reducing long term debt during the nine months ended September 30, 2020 by $426,622.

Effective April 30, 2020, the Corporation's lender has agreed to accept interest-only payments, reducing the monthly principal and interest blended payment of US $186,650 to interest-only of approximately US $36,000 per month. This interest only payment will continue for a limited time, in order to manage the Corporation's liquidity during this period of economic uncertainty and reduced cash flows. The Company is currently negotiating an amended credit agreement with its senior lender.

As discussed in the previous quarterly report, the outstanding Clairmont vendor note of $1,400,000 was redeemed in Q1 2020 for a final repayment of $300,000. As a result, the Corporation's other debt comprised of promissory notes, mortgage payable and lease liabilities, has been reduced by 60% to $831,000 at June 30, 2020 from $2,058,000 at December 31, 2019.

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 maintanined 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 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.

If you have any questions, please do not hesitate to contact me directly at 403-457-5456 extension #101 or pinnello@whiteowl-services.com. We sincerely thank you for your support and confidence in the management and board of White Owl.

Sincerely,

On behalf of the Board of Directors,

Owen Pinnell, P.Eng.

President and CEO

Cautionary Statements:

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

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

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

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

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

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

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