MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS

For the three months ended March 31, 2021 and 2020

Management's Discussion of Financial Results ("MDFR") is provided to assist readers in the assessment of the results of operations, liquidity and capital resources of White Owl Energy Services Inc. ("White Owl" or the "Company" or the "Corporation") as at and for the three months ended March 31, 2021. White Owl is a private company and is not required to prepare and file Management's Discussion and Analysis ("MD&A") in accordance with regulatory requirements in Canada or the United States ("US"). **This MDFR does not constitute an MD&A for the purposes of Canadian or US securities laws and may not include all the information that might otherwise be required or expected thereunder.**

This MDFR is based on information available to May 26, 2021 and should be read in conjunction with White Owl's unaudited condensed consolidated financial statements for the three months ended March 31, 2021 and 2020 as well as the audited consolidated financial statements for the years ended December 31, 2020 and 2019. 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.

FIRST QUARTER MARCH 31, 2021 HIGHLIGHTS

Highlights for the three months ended March 31, 2021 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 on operations, our people and on customer activity:

- On January 15, 2021, White Owl formed a Special Committee of the Board of Directors comprised of independent directors with the mandate to engage a financial advisor to explore strategic options that may be available to the Corporation. On March 18, 2021, the Corporation engaged a financial advisor, Sequeira Partners, to analyze and recommend strategic alternatives including the refinancing of the business. This decision was in response to recent actions by White Owl's lender (ATB) who has advised the Corporation that it needs to source an alternate financing arrangement and make full repayment of outstanding loans by December 31, 2021.

- Throughout the toughest market conditions in several years, White Owl has continued to service its debt, meeting all interest payments in a timely manner and reducing the Company's term loan during the three months ended March 31, 2021 by US$100,000 to US$7,491,031 and by a further US$190,000 in April 2021.
- The Clairmont water disposal well recompletion and the Clairmont plant recommissioning was completed in January 2021 at a cost of $981,000, with $700,000 being funded by Pivotal Energy Partners ("Pivotal"). The construction of the butane blending skid ("Blending Skid") along with plant modifications and addition of tankage was completed in April 2021. The Blending Skid was fully funded by Pivotal at a cost of $2.7 million. As a result, White Owl has forecast a gradual increase in processing, blending and disposal volumes for the second half of 2021.
- White Owl continues to closely monitor the availability of Canadian and US government financial assistance programs including wage and rent subsidization programs and funding for well abandonments. On May 6, 2021, White Owl received a second loan in the amount of US$400,263 under the US federal Payroll Protection Program ("PPP"), which becomes a forgivable if used for salaries and wages and other allowable expenses. In addition, in Q1 2021, White Owl applied for assistance under the newly introduced US funded Employee Retention Credit which provides a credit for payroll taxes in respect of US based employees.
- Recovered oil volumes in North Dakota remained relatively robust in Q1 2021, totaling 13,399 barrels and $807,000 in revenue for the quarter, compared to 16,361 barrels and $789,000 in revenue in Q1 2020, mitigating the significant decrease in water disposal volumes and disposal revenues experienced over the same period in 2020 (down 63%).
- To lessen the financial impact of lower business volume and revenues, White Owl implemented steps a year ago to reduce both field operating and office administrative costs both in North Dakota and Alberta. The result has been a 43% reduction in operating costs and a 40% reduction in general and administrative ("G&A") costs in Q1 2021 compared to Q1 2020.
- Q1 2021 consolidated EBITDA decreased to $125,000 compared to $964,000 in Q1 2020 due to COVID impacted market conditions prevailing since the second quarter of 2020.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following is a table of Financial and Operational Highlights for the three months ended March 31, 2021, with comparatives for the three months ended March 31, 2020.

	Three months ended March 31,		
($000's, unless otherwise noted)	**2021**	2020	**%**
North Dakota operations			
Disposal volumes (Bbls)	**2,182,350**	4,365,803	-50%
Recovered oil sales volumes (Bbls)	**13,399**	16,361	-18%
Disposal revenue ($ per Bbl)	**$0.62**	$0.83	-25%
Oil sales revenue ($ per Bbl)	**$60.21**	$48.22	25%
Operating costs and royalties ($ per Bbl)	**$0.66**	$0.62	6%
North Dakota disposal and services revenue			
Disposal revenue	**$1,359**	$3,642	-63%
Oil sales revenue	**807**	789	2%
Other revenue	**63**	102	-38%
Total revenue – North Dakota	**2,229**	4,533	-51%
Operating costs	**(1,446)**	(2,694)	-46%
Operating income – North Dakota[(1)]	**$783**	$1,839	-57%
Alberta operations[(1)]			
Volumes (Bbls)			
Disposal and third-party processing	**8,339**	78,888	-89%
Revenue			
Disposal and third-party processing	**$1**	$115	-99%
Total revenue - Alberta	**$1**	$115	-99%
Operating costs	**(318)**	(423)	-25%
Operating loss - Alberta[(1)]	**($317)**	($308)	3%
Combined operations			
Oilfield disposal and processing revenue	**$2,167**	$4,546	-52%
Other revenue	**63**	102	-38%
Total revenue	**2,230**	4,648	-52%
Operating costs	**(1,764)**	(3,117)	-43%
Operating income[(1)]	**466**	1,531	-70%
G&A	**(341)**	(567)	-40%
EBITDA [(1)]	**$125**	$964	-87%
Other income and expenses			
Depreciation	**(422)**	(493)	-14%
Amortization	**(15)**	(17)	-12%
Impairment	-	(12,360)	-100%
Finance costs	**(179)**	(223)	-20%
Share-based payments	**(24)**	(2)	1100%
Foreign exchange (losses) gains	**86**	(572)	115%
Gain on settlement of promissory notes	-	1,100	-100%
Income tax recovery (expense)	**2**	(2)	200%
Deferred income tax recovery	**-**	105	-100%
Net loss	**($427)**	($11,500)	-96%

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

Total combined revenue from North Dakota and Alberta declined 52% to $2,230,000 in Q1 2021 from $4,648,000 in Q1 2020 mainly due to the slowdown in oilfield activity caused by the worldwide pandemic. On a positive note, the realized net oil price received by White Owl for recovered oil volumes sold increased 25% to $60.21 per barrel in Q1 2021 from $48.22 per barrel in Q1 2020 due to a steadily increasing oil price since October 2020. The stronger oil price in the current quarter more than offset an 18% decrease in oil volumes sold, resulting in recovered oil sales revenues increasing 2% to $807,000 in Q1 2021 from $789,000 in Q1 2020.

To lessen the financial impact resulting from lower volumes and revenues, White Owl implemented cost cutting measures resulting in a 43% and 40% reduction in operating costs and general & administrative ("G&A") costs, respectively, in Q1 2021 compared to Q1 2020.

North Dakota

Volumes:

The reduction in water disposal volumes in Q1 2021 compared to Q1 2020 was primarily due to COVID related changes in market conditions however this situation was further aggravated by the diversion of production water to fracking programs, particularly adjacent to the New Town and Watford City SWD facilities (please see **Revenue and operating income (loss) by facility** on Page 7). Customers in the New Town and Watford City areas commenced drilling and completion programs in March 2021 and already in Q2 2021 disposal volumes are exceeding the Q1 2021 daily average of 24,248 barrels per day ("bpd"), which was down 50% from the daily average of 47,976 bpd in Q1 2020.

Flowback volumes decreased 76% to 362 bpd in Q1 2021 compared to 1,509 bpd in Q1 2020 due to significantly lower well completion activity by producers. With the slowly increasing levels of drilling and completion activity during Q1 2021 however, there has been an approximate four-fold increase in flowback volumes to 1,379 bpd in April 2021.

Recovered oil volumes remained relatively robust in Q1 2021, totaling 13,399 barrels for the quarter, down 18% from 16,361 barrels in Q1 2020, during a period when water disposal volumes for the quarter decreased by 50%.

Bakken-wide water disposal volumes for the three months ended March 31, 2021 include 16 bpd of Class 1 volumes from the Alexander Class 1 facility compared to 563 bpd from Alexander for the three months ended March 31, 2020. The lower volumes from the Alexander Class 1 facility in 2021 are due to weaker market conditions and drier weather in the region. A primary source of disposal volumes for this facility is non-hazardous landfill leachate associated with spring and summer rainfall and the disposal of drill cuttings related to drilling activity.

Revenue and Pricing:

A 63% decrease in water disposal revenues to $1,359,000 combined with a 38% decrease in other revenue to $63,000, and a slight 2% increase in recovered oil revenues to $807,000, resulted in North Dakota total revenue decreasing 51% to $2,229,000 in Q1 2021 from $4,533,000 in Q1 2020.

Despite the collapse in commodity prices and industry activity during 2020, average monthly oil prices have steadily increased each month since October 2020 when the benchmark West Texas Intermediate ("WTI") price averaged US $39.49 per barrel, having reached an average of US $62.36 per barrel in March 2021. As a result, White Owl's realized net oil price for Bakken crude has also increased every month from US $30.35 per barrel in October 2020 to US $52.95 per barrel in March 2021.

The economic slowdown in 2020 has resulted in pricing pressure for trucked-in water at the Corporation's facilities with a 15% decrease in price to average US $0.47 per barrel in Q1 2021 compared to US $0.55 per barrel in Q1 2020. Competitive pressures have resulted in price decreases at the Watford City SWD (down 25%), the New Town SWD (down 15%), the Tioga SWD (down 14%) and the Epping SWD (down 9%). At the Ross SWD trucked-in water disposal prices have remained constant. Similarly, for the small amount of flowback volumes received in Q1 2021, pricing has declined due to competitive pressures by an average of 8% for the Corporation's Class 2 water disposal facilities.

Other revenue which includes recoveries from joint venture operations decreased 38% to $63,000 in Q1 2021 compared to $102,000 in Q1 2020. The decrease in other revenue is mainly due to lower operating costs at the joint venture facilities, Tioga SWD and Epping SWD, resulting in lower administrative fees.

Operating Costs:

Operating costs in North Dakota declined by 46% in Q1 2021 to $1,446,000 from $2,694,000 in Q1 2020 due to cost-cutting measures including a salary reduction for all professional staff and hourly paid employees. Several mid-management positions in the field were eliminated and facility operating personnel were reduced at sites with lower volumes. In particular, one pipeline-connected site now operates unmanned while facilities with low volumes operate manned for 12 hours per day, down from 24 hours per day previously. With improving market and labour conditions in North Dakota, some of these reductions in costs may need to be reviewed during the second half of 2021.

Operating Income:

For the three months ended March 31, 2021, operating income decreased 57% to $783,000 from $1,839,000 in Q1 2020 due to the unfavourable market conditions.

Alberta

On October 27, 2020, White Owl signed a Construction Ownership & Operatorship Agreement ("CO&O") with Pivotal, aimed at creating a marketing, infrastructure, and crude oil optimization business at the Clairmont Terminal. Pivotal is a crude oil transportation and marketing company who recognised the strategic significance of the Clairmont facility due to its location and crude oil pipeline connection. Under the CO&O, Pivotal has invested an estimated $3.4 million to date in the Clairmont facility to fund recommissioning, minor capital upgrades, the recompletion of a disposal well in the Belloy formation and the construction of a Blending Skid and associated infrastructure. The cost of recommissioning the facility and recompletion of the disposal well was $981,000, of which Pivotal funded $700,000 and White Owl funded the balance. The cost of the Blend Skid is estimated at $2,700,000 and is fully funded by Pivotal.

With the commissioning of the Blending Skid scheduled for Q2 2021, Pivotal, as marketer, will build a customer base in the months ahead, which should result in a gradual increase in processing, blending and disposal volumes for the second half of 2021.

In Q1 2021, oil volumes and waste-water disposal volumes were minimal due to the construction and commissioning activities. As a result, for the three months ended March 31, 2021, the Clairmont Terminal incurred operating losses of $317,000, compared to operating losses of $308,000 in Q1 2020. Please see **Canada - Clairmont Terminal** on Page 13 for additional information.

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Revenue and operating income (loss) by facility

	Three months ended March 31,		
($000's)	**2021**	2020	%
Oilfield waste disposal and oil sales			
New Town	**$795**	$1,380	-42%
Watford	**604**	1,013	-40%
Ross	**469**	1,001	-53%
Alexander	**11**	309	-96%
Tioga JV	**169**	539	-69%
Epping JV	**118**	189	-38%
Clairmont	**1**	115	-99%
	2,167	4,547	-52%
Oil and gas revenue	-	-	-
Other income	**63**	102	-38%
Total revenue	**$2,230**	$4,648	-52%
Operating income (loss)			
New Town	**$256**	$565	-55%
Watford	**253**	430	-41%
Ross	**158**	428	-63%
Alexander	**(59)**	19	-411%
Tioga JV	**76**	247	-69%
Epping JV	**36**	48	-25%
Clairmont-Midstream	**(271)**	(213)	27%
	449	1,524	-71%
Oil and gas operating loss	**(46)**	(95)	-52%
Other revenue	**63**	102	-38%
Combined operating income	**$466**	$1,531	-70%

New Town SWD Facility

Environmental and Safety:

There were no environmental or safety incidents in the first quarter of 2021. White Owl continually monitors plant and equipment safety and during Q1 2021 sump pumps were upgraded to a higher electrical rating and lighting on tank farm "catwalks" was improved.

Volumes:

Recovered oil volumes increased 3% to 3,680 barrels in Q1 2021 from 3,563 barrels in Q1 2020, while fluid disposal (production water and flowback) volumes decreased 34% over the same period.

Fluid disposal volumes at the New Town SWD improved in January and February 2021 at 11,480 bpd (68% of capacity) and 13,595 bpd (80% of capacity), respectively, but declined to 6,922 bpd in March 2021 as two main customers diverted production water to their current fracking programs. Both customers have indicated a commitment to increased drilling and completion activity for 2021, supported by strengthening oil prices. Overall, in Q1 2021, fluid disposal volumes at the New Town SWD averaged 10,568 bpd (62% of capacity) compared to 16,252 bpd (96% of capacity), in Q1 2020. The decrease in volumes from Q1 2020 was due to weaker market conditions and the previously mentioned diversion of production water to fracking programs during March 2021. Once the fracking programs are completed in Q2 2021, White Owl expects the New Town SWD disposal volumes to be closer to the capacity of 17,000 bpd.

For Q1 2021, flowback disposal volumes were negligible at 27 bpd, down 98% from 1,202 bpd in Q1 2020 due to the significant curtailment of drilling and completion activity by area producers since the onset of the global pandemic. With improving commodity prices and slowly increasing drilling and completion activity, greater volumes of flowback fluids are forecast for the second half of 2021.

Revenues and Pricing:

Recovered oil revenues increased 34% in Q1 2021 compared to Q1 2020 due to a 29% increase in the realized net oil price and a 3% increase in recovered oil volumes. During the same period however, trucked-in production water and flowback disposal revenues decreased by 41% and 98%, respectively. As a result, for the three months ended March 31, 2021, total New Town SWD facility revenues decreased 42% to $795,000 from $1,380,000 in Q1 2020.

Operating Costs:

In line with the lower volumes received, operating costs decreased 34% to $539,000 in Q1 2021 from $815,000 in Q1 2020. Labour costs at the New Town SWD have decreased only slightly due to the nature of the business at the plant which receives trucked-in water volumes only and requires operators onsite for 24 hours per day.

Operating Income:

For the three months ended March 31, 2021, the New Town SWD facility generated operating income of $256,000 compared to $565,000 in Q1 2020. This decrease was due to lower water disposal volumes combined with lower pricing due to market conditions.

Watford City SWD Facility

Environmental and Safety:

There were no environmental or safety incidents in the first quarter. Recent safety and environmental upgrades include electrically upgraded sump pumps and improved tank level monitoring to control tank levels and prevent spills.

Volumes:

Watford City SWD water disposal volumes have remained steady during the first quarter of 2021 at approximately 55% of capacity and averaged 7,681 bpd for the quarter, down 29% from 10,789 bpd in Q1 2020 due to market conditions.

Recovered oil volumes decreased 28% to 3,204 barrels in Q1 2021 from 4,458 barrels in Q1 2020, in line with the 29% decrease in fluid disposal volumes.

Activity in the Watford City area is projected to increase in the near future as several customers have planned drilling and completion programs in the area that are expected to result in higher flowback and production water volumes to the site during the second half of 2021.

Revenues and Pricing:

For the three months ended March 31, 2021, Watford City SWD facility revenues totaled $604,000, down 40% from $1,013,000 in Q1 2020. A 40% increase in the realized net oil price in Q1 2021 compared to Q1 2020 offset the lower oil volumes and resulted in recovered oil revenues slightly increasing. The lower total revenues resulted from the reduced trucked-in production water disposal volumes (down 18%), lower pipeline water disposal volumes (down 100%) and lower flowback disposal volumes (down 50%). In addition, competitive pressures resulted in lower pricing in Q1 2021 compared to Q1 2020 with trucked-in water disposal pricing down 25% and flowback pricing down 24%.

Operating Costs:

For the three months ended March 31, 2021, operating costs decreased 40% to $351,000 from $583,000 in Q1 2020. The percentage decrease exceeds the 29% decrease in fluid disposal volumes due to cost cutting initiatives implemented in Q2 2020.

Operating Income:

For the three months ended March 31, 2021, the New Town SWD facility generated operating income of $253,000, down 41% from $430,000 in Q1 2020. This decrease was due to lower water disposal volumes combined with lower pricing due to market conditions.

Ross SWD Facility

Environmental and Safety

There were no environmental or safety incidents in the first quarter of 2021. As a safety improvement, the sump pumps at the facility were upgraded to a higher electrical rating.

Volumes:

Fluid disposal volumes at the Ross SWD facility are lower due to market conditions and the construction of a customer owned SWD nearby, resulting in a loss of customer volumes to the recently constructed SWD. As a result, Q1 2021 fluid disposal volumes averaged 2,796 bpd, down 74% from 10,743 bpd in Q1 2020. The customer owned SWD does not accept third party volumes for disposal.

Recovered oil volumes were down 26% to 5,152 barrels in the quarter from 6,974 barrels in Q1 2020 although prices received for the recovered oil were higher.

Following the start-up of the customer owned SWD in February 2021, site operator hours were reduced from 24 hours per day to 12 hours per day and from April 2021 the site will operate unmanned until fluid volumes increase.

Revenues and Pricing:

For the three months ended March 31, 2021, the Ross SWD facility revenues totaled $469,000, down 53% from $1,001,000 in Q1 2020. Recovered oil revenues decreased 7% due to a 28% decrease in recovered oil volumes which was partially offset by a 26% increase in the realized net oil price in Q1 2021 compared to Q1 2020. The 53% lower revenues were a result of the slightly lower recovered oil revenues combined with reduced trucked-in production water revenue (volumes down 74%). Disposal pricing at the Ross SWD has not been reduced.

Operating Costs:

For the three months ended March 31, 2021, operating costs decreased 46% to $311,000 in Q1 2021 from $573,000 in Q1 2020. In response to the lower disposal volumes, this facility began operating on an unmanned basis in April 2021.

Operating Income:

For the three months ended March 31, 2021, the Ross SWD facility generated operating income of $158,000, down 63% from $428,000 in Q1 2020. This decrease was due to lower water disposal volumes caused not only by weak market conditions but also by the competing SWD well as previously discussed.

Alexander Class 1 Facility

White Owl's Class 1 water disposal business, established during the latter part of 2019, has a broad customer base including oil producers, pipeline operators and landfill operators. 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.

Environmental and Safety

The Alexander Class 1 facility is subject to different regulations than the Class 2 SWD facilities as all waste-water received by Alexander must first be characterized as non-hazardous. As is required by the permit conditions, this is determined by White Owl randomly testing water loads on a regular basis for hazardous materials. On March 23, 2021 a random sample was taken from a customer load and the analysis showed the load contained hazardous materials. White Owl and the customer concerned are working on a solution with the regulator, however until the regulator is satisfied, the Alexander facility will remain closed. It should be stressed that White Owl did not violate any permit conditions nor has this been indicated by the regulator.

Volumes:

At Alexander, business is tied to weather (spring rain) and drilling activity (more drilling mud in land fills). For the past twelve months, Alexander has been impacted by the economic downturn and very dry weather conditions. In addition, in Q1 2021, the facility lost a major customer due to pricing. White Owl intends to rebid this one of several customers' volumes in Q3 2021, but as a result of the lost business, Q1 2021, water disposal volumes totaled 1,443 barrels for the quarter, down significantly from 51,210 barrels in Q1 2020.

White Owl is continuing with marketing efforts to expand Alexander's customer base in the region.

Revenues and Pricing:

For the three months ended March 31, 2021, revenues decreased 96% to $11,000 from $309,000 in Q1 2020 due to the market conditions, dry weather and the loss of a customer, as previously discussed.

Operating Costs:

Operating costs for the three months ended March 31, 2021 decreased 76% to $70,000 from $290,000 in Q1 2020 mainly due to the lower disposal volumes. The prior period's operating costs of $290,000 include one-off well workover costs of $101,000.

Operating Income:

The lower disposal volumes resulted in a Q1 2021 operating loss of $59,000 compared to operating income of $19,000 in Q1 2020.

Tioga SWD JV

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.

Environmental and Safety

There were no environmental or safety incidents in the first quarter of 2021.

Volumes:

In Q1 2021, recovered oil volumes were strong, increasing 9% to 2,443 barrels from 2,240 barrels in Q1 2020, even though water disposal volumes were significantly lower than the prior year. Aggravating the lower activity in the area was the commissioning of a customer owned SWD in September 2020 resulting in the diversion of pipeline volumes from the Tioga SWD facility to the newly constructed Hess SWD which is on the same gathering system. Trucked in volumes have also been lower. As a result, Q1 2021 fluid disposal volumes averaged 3,311 bpd, down 78% from 15,272 bpd in Q1 2020.

In Q1 2021, Hess commenced a drilling and completion program adjacent to the Tioga SWD which is expected to result in an increase in pipeline volumes once the wells are placed into production.

Revenues and Pricing:

The 9% increase in recovered oil volumes combined with a 32% increase in the realized net oil price resulted in recovered oil revenues increasing 44% in Q1 2021 compared to Q1 2020. Despite the increase in recovered oil revenues there was a significant decrease in water disposal volumes and a 14% decrease in trucked-in water pricing. These factors combined to result in total revenues for the Tioga SWD facility decreasing by 69% to $169,000 in Q1 2021 from $539,000 in Q1 2020.

Operating Costs:

Operating costs decreased 68% to $93,000 in Q1 2021 from $292,000 in Q1 2020, in line with the 78% decrease in fluid volumes and the 9% increase in recovered oil volumes. During 2020, fixed costs were reduced by reducing operator shifts from 24 hours per day to 12 hours per day and this arrangement has remained in effect for Q1 2021 and is planned for the foreseeable future.

Operating Income:

For the three months ended March 31, 2021 operating income decreased 69% to $76,000 from $247,000 in Q1 2020 due to the lower disposal volumes.

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.

Environmental and Safety

There were no environmental or safety incidents in the first quarter of 2021. As a safety improvement, the sump pumps at the facility were upgraded to a higher electrical rating. In 2020, there were improvements made to tank level monitoring to help reduce spills.

Volumes:

Total fluid disposal volumes averaged 5,017 bpd in Q1 2021, down 34% from 7,548 bpd in Q1 2020 due to market conditions. In Q1 2021, 74% of fluid volumes were received by pipeline, compared to 89% in Q1 2020.

Volumes at the Epping JV are limited by the 7,200 bpd capacity of the injection well. Currently, the White Owl pipeline agreement with Hess does not require Hess to deliver a specified volume to the site but the landowner has a separate agreement that does require Hess to maximize volumes to the site. In Q1 2021, White Owl and Hess have been working together to maximize the pipeline volumes. This is an ongoing effort and has already resulted in a 24% increase in Hess pipeline volumes in April 2021 over Q1 2021 levels.

Recovered oil volumes decreased to 661 barrels in Q1 2021 from 962 barrels in Q1 2020, approximately matching the 34% decrease in fluid disposal volumes.

Revenues and Pricing:

The decrease in fluid disposal volumes and recovered oil volumes, combined with a 9% decrease in water disposal pricing resulted in total revenues of $118,000 in Q1 2021, down 38% from $189,000 in Q1 2020.

Recovered oil sales revenues remained flat in Q1 2021 compared to Q1 2020 as a 35% increase in the realized net oil price offset the 31% decrease in recovered oil volumes.

Operating Costs:

In response to the lower disposal volumes, labor costs have been reduced by reducing manpower from 24 hours per day to a person at the site on a half-time basis. As a result, operating costs decreased 42% to $82,000 in Q1 2021 from $141,000 in Q1 2020.

Operating Income:

For the three months ended March 31, 2021 operating income decreased 25% to $36,000 from $48,000 in Q1 2020 due to the lower water disposal volumes and pricing.

Canada - Clairmont Terminal

Environmental and Safety

There were no environmental or safety incidents in the first quarter of 2021.

Capital program and Facility Restart

Under the terms of the CO&O between White Owl and Pivotal, Pivotal has invested $3.4 million and White Owl has invested $0.3 million to date in the Clairmont Terminal to fund: (i) recommissioning and minor capital upgrades; (ii) the recompletion of a waste-water disposal well in the Belloy formation and (iii) the construction of a Blending Skid.

(i) Following a six-month period of suspended operations in 2020 due to COVID related market conditions, the Clairmont Terminal was recommissioned in late December 2020. The recommissioning included the installation of water filters and the recommissioning of the custody transfer meter and piping and equipment with Pivotal providing $700,000 of the $981,000 total costs.

(ii) The waste-water disposal well was recompleted in January 2021, however the well requires an acid job to maximise disposal capacity and this work is scheduled for later in Q2 2021 or early Q3 2021. Funding for this work estimated at $150,000 will come from the sale of surplus equipment and from working capital.

(iii) Construction of onsite work for the Blending Skid began mid-March 2021 and was completed in April 2021 and final commissioning of the Blend Facility is expected to be complete by the end of May 2021. This capital program was fully funded by Pivotal in accordance with the terms of the CO&O. The scope of the Blending Skid includes heavy oil tanks for blending with light oil and a large butane bullet for mixing with the light oil/heavy oil blend before it is shipped to the Pembina Peace Pipeline.

Operating Results

In Q1 2021, oil volumes and waste-water disposal volumes were minimal due to the construction and commissioning activities as previously discussed. As a result, for the three months ended March 31, 2021, the Clairmont Terminal incurred operating losses of $317,000, compared to operating losses of $308,000 in Q1 2020.

Following commissioning of the Blend Skid in Q2 2021, White Owl anticipates business to slowly increase. Pivotal plans to steadily grow the customer base in the region where oil and gas activity is expected to steadily improve as Montney development increases to meet Kitimat LNG project natural gas demand.

Well Abandonments

The oil field adjacent to the Clairmont Terminal was permanently shut-in by White Owl in 2019 and includes 28 wells of which 5 wells could be completed as waste water disposal wells to support future expansion initiatives. White Owl is planning an abandonment program for the remaining shut-in wells. In this regard, as part of the Government of Alberta's federally funded Site Rehabilitation Program ("SRP"), White Owl has received funding approval for $140,000 to abandon two wells. Additional funding to partially, or fully fund, well abandonments under the SRP has been applied for and is pending approval. White Owl also contemplates deploying some of the operating cash flow on well abandonments contemplated for the Clairmont property.

Other Revenue

Other revenue includes operational, administration and capital fees charged by White Owl for services provided by White Owl to the Tioga JV and Epping JV. For the three months ended March 31, 2021, other revenue decreased to $63,000 from $102,000 in Q1 2020 mainly due to lower operating costs at the Tioga and Epping joint ventures resulting in lower administrative fees for White Owl.

G&A Expenses

	Three months ended March 31,	
($000's)	**2021**	2020
Salaries and management	**$241**	$264
Professional fees	**36**	167
Travel and related expenses	**9**	28
General office expenses	**42**	93
Third party consulting fees	**16**	18
Lease liability recoveries	**(3)**	(3)
	$341	$567

In Q1 2021, G&A expenses decreased 40% to $341,000 from $567,000 in Q1 2020 due to cost-cutting measures implemented at the beginning of the second quarter of 2020 and the receipt of federal government assistance under the Canadian Emergency Wage Subsidy (“CEWS”) and Canadian Emergency Rent Subsidy (“CERS”) programs.

For the three months ended March 31, 2021, salaries and management expenses decreased 9% due mainly to the receipt of federal government assistance related to the pandemic. In Q1 2021, $21,936 was credited to salaries and management expenses in respect of amounts received under the CEWS program.

Professional fees for the three months ended March 31, 2021 have significantly decreased to $36,000 from $167,000 in Q1 2020 due to lower legal costs.

General office expenses total $42,000 for Q1 2021, less than one-half of the $93,000 recorded for Q1 2020 and include a credit of $11,023 for amounts received under the CERS program.

Depreciation and Depletion

Depreciation and depletion for the three months ended March 31, 2021 totaled $422,000 compared to $493,000 in Q1 2020. The decrease in Q1 2021 is primarily due to lower depreciation for the Clairmont Terminal for which an impairment expense was recorded at March 31, 2020. (Please see **Impairment** below).

Impairment

At March 31, 2021, 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 March 31, 2021.

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 terminal cash generating unit ("CGU") due to the temporary 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 $17,058,594. 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).

Finance costs

	Three months ended March 31,	
($000's)	**2021**	2020
Interest on term loan	**$160**	$179
Interest on promissory notes, loans payable and mortgage payable	**10**	8
Interest on lease liabilities	**5**	4
Loan commitment fee	**-**	-
Accretion of decommissioning obligations	**14**	24
Interest (income) expenses bank charges and other	**(10)**	8
	$179	$223

The decrease in interest on term loan in Q1 2021 compared to Q1 2020 is mainly due to lower principal outstanding. In Q1 2021, the Company's average term loan interest rate was 6.75% compared to an average of 5.87% in Q1 2020. On December 21, 2020, the Company signed an amended and restated credit agreement with its senior lender with the resumption of principal payments of $100,000 per quarter commencing December 31, 2020. (Please see **Term Loan** on Page 19).

Foreign Exchange Losses, Gains

For the three months ended March 31, 2021, the Company recorded foreign exchange gains of $86,000, compared to foreign exchange losses of $572,000 in Q1 2020. The foreign exchange gains and losses reflect the impact of changes in exchange rates on US dollar cash balances and short-term intercompany loans. The average exchange rate for the three months ended March 31, 2021 was 1.2666 compared to 1.3439 for Q1 2020.

Share-based payments

During Q1 2021 the Company recorded share-based payments of $24,000 compared to $2,000 in Q1 2020. Share-based payments relate to the amortization of costs of stock options issued to management, employees and directors of the Company. The increase in share-based payments expense is due to the issuance of stock options to directors and employees in Q3 2020.

SUMMARY OF QUARTERLY RESULTS

($000's)	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenue	$2,230	$2,380	$2,606	$2,607	$4,648	$5,289	$4,776	$3,475
EBITDA [1]	125	195	169	(230)	964	1,729	2,048	568
Net Income (loss)	(427)	(138)	(399)	(557)	(11,500)	(531)	2,531	1,154

[1] *Refer to "Non-GAAP Measures" for additional information.*

Revenues, EBITDA and Net Loss in the first quarter of 2021 and the second, third and fourth quarters of 2020 have been impacted by market conditions caused by the global pandemic. 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.

LIQUIDITY AND CAPITAL RESOURCES

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

At March 31, 2021, the Company had negative working capital of $8,516,000, an accumulated deficit of $29,565,000 and net loss for the three months ended March 31, 2021 of $427,000. In addition, 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. These factors indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The Company is in compliance with all terms of the amended and restated credit agreement as at March 31, 2021. Under the terms of the amended and restated loan agreement certain subsequent conditions must be satisfied in 2021 to maintain the ongoing availability of the Term Loan and Operating Loan, including the repayment of all facilities by December 31, 2021. The ability of the Company to continue as a going concern and realize the carrying value of its assets and discharge its liabilities when they become 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.

Investing Activities

Capital Expenditures and Acquisition of Joint Venture Interest

	Three months ended March 31,	
($000's)	**2021**	2020
Capital expenditures	**$134**	$162
Acquisition of 15% joint interest in Tioga Joint Venture	**-**	1,000
	$134	$1,162

Capital expenditures during the three months ended March 31, 2021 are mainly White Owl's share of Clairmont recommissioning and waste-water disposal well completion costs (please see **Canada - Clairmont Terminal** on Page 13).

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, 2020 and March 31, 2021	65,633	$21,118	26,469	$12,353	92,102	$33,471

As at March 31, 2021, there were 4,000,000 (December 31, 2020 – 4,000,000) common shares held in escrow.

Share Options

There were 6,204,000 share options outstanding as of March 31, 2021 (December 31, 2020 – 6,204,000), with a weighted average exercise price of $0.11 per share.

Term Loan

Effective December 21, 2020, the Company signed an amended and restated credit agreement ("Commitment Letter") with 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$7,691,031 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 3.00%. Until demand, the Term Loan is repayable in monthly payments of interest, quarterly payments of US$100,000 until June 30, 2021 and additional quarterly payments of 80% of the Company's excess cash flow. Excess cash flow is calculated as quarterly earnings before interest, taxes, depreciation, depletion and amortization ("EBITDA") less maintenance capital expenditures of $85,125, loan renewal fee of US$25,000 and principal and interest payments on the Term Loan and Operating Loan. 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 3.00%. During the three months ended March 31, 2021, the Company made principal payments on the Term Loan of $125,750 (US$100,000) (2020 - $581,262 (US$426,622)). The facilities are subject to review by the lender with the next annual review date set for June 30, 2021.

The Operating Loan is a US$1,000,000 facility and is reduced by outstanding letters of credit of $53,862 (December 31, 2020 - $53,862) and credit card balances of $4,886 (December 31, 2020 - $12,334). The Company had drawn $nil on the Operating Loan at March 31, 2021 (December 31, 2020 – $nil).

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

Period	EBITDA Three months ended ($000's)	Working capital ratio	Debt service ratio
December 31, 2020	44	1.40:1	0.90:1
March 31, 2021	71	1.35:1	0.45:1
June 30, 2021	181	1.35:1	0.80:1
July 1, 2021 and thereafter	-	1.50:1	1.25:1

The debt service coverage ratio is calculated as follows:

$$\text{Debt service coverage ratio} = \frac{\text{EBITDA}}{\text{Debt service obligations}}$$

The debt service coverage ratio at March 31, 2021 was 0.73 (December 31, 2020 – 1.17). The ratio is calculated based on the trailing four quarters at March 31, 2021.

The working capital ratio is calculated as follows:

$$\text{Working capital ratio} = \frac{\text{Current assets}}{\text{Current liabilities excluding term loan, deferred consideration, lease liabilities, loans payable and decommissioning obligations}}$$

The working capital ratio at March 31, 2021 was 1.70 to 1 (December 31, 2020 – 1.59 to 1).

Conditions subsequent

Under the loan agreement, the following subsequent conditions must be satisfied to maintain the ongoing availability of the Term Loan and Operating Loan:

- On or before January 31, 2021, White Owl's Board of Directors shall form a special committee and engage a financial advisor to consider strategic alternatives, including a process in respect of either the issuance of equity or the sale of assets with the result being the repayment of the Term Loan and Operating Loan;
- On or before March 31, 2021, White Owl shall have a comprehensive plan recommended by the special committee and approved by the Board of Directors with specific milestones, appointment of a financial advisor, all to the satisfaction of ATB, for the purposes of assessing the strategic alternatives;
- On or before May 31, 2021, White Owl and ATB will agree upon and revise the quarterly Term Loan principal repayments due on September 30, 2021 and December 31, 2021; and
- On or before December 31, 2021, White Owl shall repay in full all indebtedness payable to ATB under the Term Loan and Operating Loan.

It shall be a default or event of default of the Commitment Letter if White Owl fails to satisfy the conditions above.

On January 15, 2021, White Owl's Board of Directors formed a special committee in accordance with the requirements of the conditions subsequent of the Commitment Letter. On March 18, 2021, the Company engaged a financial advisor.

<u>Promissory Note Settlement</u>

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 comprehensive loss for the three months ended March 31, 2020.

<u>OUTLOOK</u>

The COVID crisis and the prevailing market conditions continue to impact our business, both North Dakota and in Alberta. There are signs however of an improving marketplace, both in North Dakota and Alberta, with oil prices increasing while rig counts and field activity are also increasing, albeit slowly.

North Dakota

In Q1 2021, oil pricing improved month by month which is benefiting the North Dakota operations with higher proceeds from the sale of recovered oil. WTI averaged US $57.85 per barrel in Q1 2021 (up from US $42.64 per barrel in Q4 2020 and US $40.92 per barrel in Q3 2020). In April 2021, WTI has increased further to average US $61.70 per barrel for the month. In addition, our forecast for 2021 anticipates an increasing rig count during the second half of the year which should improve the market conditions for White Owl's operations.

Bakken production at the end of Q1 2021 was 1,108,441 barrels of oil per day with 76% of these volumes leaving North Dakota by pipeline with 16% being transported by rail and 5% being refined locally. Gas production at the end of Q1 2021 was 2.8 BCF per day with 94% of this gas now gathered and sold with the balance being flared.

The Dakota Access Pipeline ("DAPL") remains the subject of controversy with legal action being taken by different groups to have the line shut down while a revised Environmental Impact Statement is being prepared. Encouraging remarks by State of North Dakota officials and Enterprise Partners executives at a recent oil show in Bismarck indicate that a shutdown of the line is most unlikely. These remarks were positively received by oil industry executives.

With more favourable market conditions anticipated for the second half of 2021, we anticipate increasing levels of activity. Already in 2021, White Owl customers have commenced drilling and completion programs in the vicinity of the New Town, Watford and Epping SWD facilities, as evidenced by the diversion of production water to fracking operations in March and continuing into April and May. There is also some M&A activity amongst producers and as an example, one of our New Town customers Enerplus Resources has recently announced the purchase of Bruin E&P Operating, which is expected to result in additional volumes at the New Town SWD facility.

Alberta

In Alberta, drilling and completion activity in the Grande Prairie region remains muted, due to a combination of COVID related impacts, political head winds and spring breakup. The Blending Skid at the Clairmont Terminal is in the process of being commissioned as discussed above and Pivotal is fully engaged in developing the market for transportation, treating, blending and disposal services. Due to the competitive nature of the market and the impact of the Secure/Tervita potential merger on processing and disposal services in the area, a reliable forecast for the balance of 2021 is a challenge. However, as discussed above, certainly we anticipate a much stronger financial performance from the Clairmont Terminal.

Corporate

It has been a challenging but constructive first quarter.

The Special Committee of the Board of Directors has been working with Sequeira Partners, the Company's financial advisor to source available capital to replace the ATB loan by year end 2021 and to explore other strategic options that may be available to the Corporation.

In the field, management has been focussed on maximising income and responding to the slow increase in field completion activities. The rig count in North Dakota is slowly increasing and in Alberta the commissioning of the Blending Skid at Clairmont is forecast to result in improving financial performance at that facility. Increasing commodity prices may further accelerate the improvement in market conditions.

White Owl continues to pursue available government COVID related programs and recently received a second loan in the amount of US $400,263 under the PPP, which becomes a grant if used for salaries and wages and other allowable expenses. These government support programs have been a "life saver" allowing us to retain most of our key people.

We would like to thank all our staff for their significant efforts in a quarter which provided its share of challenges through the continuing pandemic and the difficult working conditions brought on by the winter. The Company generated positive EBITDA during the first quarter and reduced its debt to $7.3 million as of April 30, 2021. We believe that White Owl is well positioned financially and operationally to meet the challenges ahead and to exit 2021 financially stronger despite the need to confront the headwinds faced by the entire energy industry.

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", "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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