MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS

For the three and six months ended June 30, 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 and six months ended June 30, 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 September 1, 2021 and should be read in conjunction with White Owl's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 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.

SECOND QUARTER JUNE 30, 2021 HIGHLIGHTS

Highlights for the three months ended June 30, 2021, for both North Dakota and Alberta are summarized as follows:

- Q2 2021 EBITDA improved significantly to $469,000 from negative $230,000 in Q2 2020, mainly due to strengthening oil prices, higher recovered oil volumes and lower operating costs.
- The average realized net oil price for White Owl's recovered oil volumes has increased every month over the past three quarters, reaching an average of $71.26 per barrel in Q2 2021, up 126% from $31.49 per barrel in Q2 2020.
- Recovered oil volumes increased 11% to 11,231 barrels in Q2 2021 from 10,158 barrels in Q2 2020 even though fluid disposal volumes decreased 18% over the same periods due to COVID related changes to market conditions.

- 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 June 30, 2021, by US$290,000 to US$7,201,031.
- During May 2021, the Blend Skid at the Clairmont plant in Alberta was commissioned and in June oil volumes were accepted for processing and blending. This expanded plant capability resulted in total oil volumes of 3,540 M3 being shipped on the Pembina pipeline (to which Clairmont is connected at the site) in Q2 2021. In June 2021, White Owl completed an acid stimulation workover on the water disposal well, improving the disposal capacity of the well from 45 M3 per day to 200 M3 per day and resulting in 3,799 M3 of waste-water disposal for the three months ended June 30, 2021.
- On May 6, 2021, White Owl received a second loan in the amount of US$400,263 under the US federal Paycheck Protection Program ("PPP"), which becomes a forgivable loan if used for salaries and wages and other allowable expenses in North Dakota. On August 18, 2021, the Company received confirmation that the first PPP loan in the amount of US$356,810 was forgiven. In Q2 2021, White Owl also received US$36,200 under the newly introduced US funded Employee Retention Credit which provides a credit for payroll taxes in respect of US based employees. White Owl received CAD $53,916 in Q2 2021 under the Canadian Emergency Wage Subsidy and Canadian Emergency Rent Subsidy programs.
- To lessen the financial impact of lower business volumes 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 35% and 40% reduction in operating costs in the three and six months ended June 30, 2021, respectively, compared to the comparable 2020 periods.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following is a table of Financial and Operational Highlights for the three and six months ended June 30, 2021, with comparatives for the three and six months ended June 30, 2020.

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($000's, unless otherwise noted)	Three months ended June 30, **2021**	2020	%	Six months ended June 30, **2021**	2020	%
North Dakota operations						
Disposal volumes (Bbls)	**2,389,402**	2,923,940	-18%	**4,571,752**	7,289,743	-37%
Recovered oil sales volumes (Bbls)	**11,231**	10,158	11%	**24,704**	26,809	-8%
Disposal revenue ($ per Bbl)	**$0.61**	$0.75	-19%	**$0.62**	$0.80	-23%
Oil sales revenue ($ per Bbl)	**$71.26**	$31.49	126%	**$65.06**	$41.36	57%
Operating costs and royalties ($ per Bbl)	**$0.55**	$0.76	-28%	**$0.60**	$0.67	-10%
North Dakota disposal and services revenue						
Disposal revenue	**$1,455**	$2,182	-33%	**$2,813**	$5,825	-52%
Oil sales revenue	**800**	320	150%	**1,607**	1,109	45%
Other revenue	**62**	98	-37%	**126**	199	-37%
Total revenue – North Dakota	**2,317**	2,600	-11%	**4,546**	7,133	-36%
Operating costs	**(1,303)**	(2,223)	-41%	**(2,748)**	(4,917)	-44%
Operating income – North Dakota[(1)]	**$1,014**	$377	169%	**$1,798**	$2,216	-19%
Alberta operations						
Volumes (Bbls)						
Disposal and third-party processing	**16,187**	2,326	596%	**24,528**	81,214	-70%
Revenue						
Disposal and third-party processing	**$100**	$6	1567%	**$101**	$121	-17%
Oil and gas sales	**1**	1	**-**	**1**	1	-
Total revenue - Alberta	**101**	7	1343%	**102**	122	-16%
Operating costs	**(317)**	(263)	21%	**(636)**	(686)	-7%
Operating loss - Alberta[(1)]	**($216)**	($256)	-16%	**($534)**	($564)	-5%
Combined operations						
Oilfield disposal and processing revenue	**$2,355**	$2,508	-6%	**$4,521**	$7,055	-36%
Oil and gas sales	**1**	1	**-**	**1**	1	-
Other revenue	**62**	98	-37%	**126**	199	-37%
Total revenue	**2,418**	2,607	-7%	**4,648**	7,255	-36%
Operating costs	**(1,620)**	(2,486)	-35%	**(3,384)**	(5,603)	-40%
Operating income[(1)]	**798**	121	560%	**1,264**	1,652	-23%
General and administrative expenses ("G&A")	**(329)**	(351)	-6%	**(670)**	(918)	-27%
EBITDA [(1)]	**$469**	($230)	-304%	**$594**	$734	-19%
Other income and expenses						
Depreciation	**(428)**	(433)	-1%	**(850)**	(926)	-8%
Amortization	**(15)**	(16)	-6%	**(30)**	(33)	-9%
Impairment	**-**	-	-	**-**	(12,360)	-100%
Finance costs	**(233)**	(176)	32%	**(412)**	(399)	3%
Share-based payments	**(25)**	(1)	2400%	**(49)**	(3)	1533%
Foreign exchange (losses) gains	**89**	294	-70%	**175**	(278)	163%
Gain on settlement of promissory notes	**-**	-	-	**-**	1,100	-100%
Gain on disposal of property, plant and equipment - net	**420**	6	6900%	**420**	6	6900%
Income tax (expense) recovery	**(1)**	(1)	-	**1**	(3)	133%
Deferred income tax recovery	**-**	-	-	**-**	105	-100%
Net income (loss)	**$276**	($557)	-150%	**($151)**	($12,057)	-99%

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

The highlights for the three and six months ended June 30, 2021, were increased oil revenue due to a much-improved oil price, strong recovered oil volumes (despite lower oilfield activity during the past year) and a significant reduction in operating costs at each of White Owl's facilities (please see **North Dakota** on Page 4 below for discussion on pricing and operating costs). As a result, Q2 2021 EBITDA improved significantly to $469,000 from negative $230,000 in Q2 2020. For the six months ended June 30, 2021, EBITDA decreased 19% to $594,000 from $734,000 in the comparable 2020 six-month period which included higher, pre-COVID disposal volumes and revenues for the first quarter of 2020.

Total combined revenue from North Dakota and Alberta decreased 7% to $2,418,000 in Q2 2021 from $2,607,000 in Q2 2020. For the six months ended June 30, 2021, total combined revenue decreased 36% to $4,648,000 from $7,255,000 in the comparable 2020 period mainly due to the slowdown in oilfield activity caused by the worldwide pandemic which started to impact business at the beginning of the second quarter of 2020.

To lessen the financial impact resulting from lower volumes and revenues, White Owl implemented cost cutting measures in 2020 resulting in a 35% and 40% reduction in operating costs for the three and six months ended June 30, 2021, respectively, compared to the three and six months ended June 30, 2020, respectively.

North Dakota

Operating Income:

For the three months ended June 30, 2021, operating income almost tripled to $1,014,000 from $377,000 in Q2 2020. The 41% decrease (or $920,000) in operating costs exceeded the 11% revenue decrease (or $283,000) between Q2 2021 and Q2 2020. In the current quarter, The New Town, Watford City and Ross SWD facilities accounted for 44%, 31% and 21%, respectively, of North Dakota operating income.

For the six months ended June 30, 2021, operating income decreased 19% to $1,798,000 from $2,216,000 in the prior year comparable period due to the unfavourable COVID-related market conditions which took hold in late March 2020. As a result, the prior year six-month period included stronger pre-COVID volumes and revenues. In the current six-month period, The New Town, Watford City and Ross SWD facilities accounted for 41%, 33% and 21%, respectively, of North Dakota operating income.

Volumes:

During Q1 2021, several customers with active drilling and completion programs began diverting production water to fracking activities, particularly adjacent to the New Town and Watford City SWD facilities (please see **Revenue and operating income (loss) – by facility** on Page 8). Although this activity temporarily reduced volumes at the two facilities, both plants have benefited by an increase in disposal volumes during Q2 2021, resulting in an increase in total volumes of 8% to 26,257 barrels per day ("bpd") from 24,258 bpd in the previous quarter.

For the six months ended June 30, 2021, fluid disposal volumes decreased 37% to 25,258 bpd from 40,053 bpd in the 2020 comparable six-month period which included three months of higher pre-COVID disposal volumes. In addition, the previously mentioned diversion of production water to fracking activities impacted volumes in the current six-month period.

Flowback volumes almost tripled to 1,194 bpd in Q2 2021 from 456 bpd in Q2 2020 due to customer completion programs targeting drilled and uncompleted wells ("DUCs"). In July 2021, flowback volumes disposed continued to match the daily average for the second quarter.

In Q2 2021, recovered oil volumes were strong, increasing 11% to 11,231 barrels from 10,158 barrels in Q2 2020, during a period when fluid disposal volumes for the quarter decreased by 18%. The New Town and Ross SWD facilities combined to account for 69% of recovered oil volumes sold in Q2 2021, compared to 78% in Q2 2020.

For the six months ended June 30, 2021, recovered oil volumes decreased 8% with the New Town and Ross SWD facilities combined accounting for 67% of oil volumes sold, compared to 69% in the prior year comparable six-month period. Total fluid disposal volumes decreased 37% compared to the comparable 2020 six-month period,

The Alexander Class 1 facility was temporarily shut down in Q2 2021 due to receipt of contaminated water and is expected to return to operations in Q4 2021. (Please see **Revenue and operating income (loss) – by facility** on Page 8).

Revenue and Pricing:

As previously mentioned, strengthening oil prices led to improved financial results in the current quarter. White Owl's average monthly realised net oil price is determined as the West Texas Intermediate ("WTI") average oil price for the month less deductions for the Bakken differential (US$0.83 for Q2 2021), trucking costs and taxes. In Q2 2021, the realised net oil price increased 126% to CAD$71.26 per barrel in Q2 2021 from CAD$31.49 per barrel in Q2 2020, while for the six months ended June 30, 2021, the realised net oil price increased 57% to CAD$65.06 per barrel compared to CAD$41.36 per barrel in the comparable 2020 six-month period. In Q2 2021, the higher oil price and recovered oil volumes (up 11% over Q2 2020) led to recovered oil sales revenues increasing 150% to $800,000 in Q2 2021 from $320,000 in Q2 2020. For the six months ended June 30, 2021, recovered oil revenues increased 45% to $1,607,000 from $1,109,000 for the six months ended June 30, 2020, as a higher realised net oil price (up 57%) more than offset lower volumes (down 8%).

Throughout the past 12 months, competitive pressure due to COVID resulted in lower fees for water disposal and flowback disposal while reduced activity levels compounded the downward pressure on revenues. Despite the increase in recovered oil revenues, the 18% decrease in fluid disposal volumes and 19% decrease in fluid disposal pricing, resulted in total revenue decreasing 11% to $2,317,000 from $2,600,000 for Q2 2020. Total revenue decreased 36% to $4,546,000 for the six months ended June 30, 2021, from $7,133,000 for the comparable six-month period in 2020. The prior-year period included higher pre-COVID volumes and revenues for the first three months of 2020.

Other revenue which includes recoveries from joint venture operations decreased 37% to $62,000 and $126,000 for the three and six months ended June 30, 2021, respectively, from $98,000 and $199,000 in the three and six months ended June 30, 2020, respectively. 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 that White Owl receives for operating the facilities.

Operating Costs:

Material cost-cutting measures were implemented a year ago, including staff reductions in response to the COVID-related decrease in fluid disposal volumes. Several mid-management positions in the field were eliminated and facility operating personnel were reduced at sites with lower volumes. In particular, the Ross SWD facility and Epping SWD facility now operate unmanned. The Tioga SWD facility reduced staff by 50% when onsite coverage was reduced from 24 hours per day to 12 hours per day. As a result, North Dakota labour costs have decreased 28% in Q2 2021 compared to Q2 2020.

Total operating costs in North Dakota declined by 41% and 44% to $1,303,000 and $2,748,000, respectively, for the three and six months ended June 30, 2021, compared to the comparable 2020 three and six-month periods.

Alberta

In late May 2021, construction and commissioning of the Butane blend facility was completed. The Butane blend facility was fully funded by Pivotal bringing Pivotal's total investment in Clairmont since December 2020 to $3.4 million including their $700,000 contribution to the water disposal well workover and commissioning costs in December 2020.

During June 2021, White Owl completed an acid stimulation workover on the water disposal well, improving the disposal capacity of the well to approximately 200 M3 per day from 45 M3 per day. Operating costs at Clairmont have also been lowered as the onsite staffing has been reduced from three operators to two operators.

During Q2 2021, Pivotal who have total marketing and transportation responsibility for sourcing business for the plant, was developing the business and as a result the Clairmont Terminal operated at about 30% of capacity for the month of June 2021, the first full month of operation for the Blend Skid. In Q2 2021, operating losses for the Clairmont Terminal, including the costs of the shut-in oilfield, totaled $216,000, down from operating losses of $256,000 in Q2 2020. For the six months ended June 30, 2021, Clairmont operating losses totaled $534,000 compared to $564,000 for the six months ended June 30, 2020.

These losses are anticipated to be reduced significantly as Pivotal builds the business with oil volumes expected to reach approximately 60% of the facility capacity of 15,000 M3 per month by year end. Please see **Canada - Clairmont Terminal** on Page 15 for additional information.

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Revenue and operating income (loss) by facility

	Three months ended June 30,			Six months ended June 30,		
($000's)	**2021**	2020	%	**2021**	2020	%
Oilfield waste disposal and oil sales						
New Town	**998**	703	42%	**1,792**	2,084	-14%
Watford City	**653**	371	76%	**1,257**	1,384	-9%
Ross	**332**	654	-49%	**801**	1,655	-52%
Alexander	**2**	152	-99%	**13**	461	-97%
Tioga JV	**153**	473	-68%	**322**	1,012	-68%
Epping	**117**	149	-21%	**235**	338	-30%
Clairmont	**100**	6	1567%	**101**	121	-17%
	2,355	2,508	-6%	**4,521**	7,055	-36%
Oil and gas revenue	**1**	1	-	**1**	1	-
Other revenue	**62**	98	-37%	**126**	199	-37%
Total revenue	**2,418**	2,607	-7%	**4,648**	7,255	-36%
Operating income (loss)						
New Town	**422**	67	530%	**678**	633	7%
Watford City	**297**	30	890%	**550**	459	20%
Ross	**196**	188	4%	**354**	617	-43%
Alexander	**(65)**	(213)	-69%	**(124)**	(194)	-36%
Tioga JV	**67**	183	-63%	**143**	430	-67%
Epping	**34**	24	42%	**69**	71	-3%
Clairmont-Midstream	**(167)**	(212)	-21%	**(438)**	(424)	3%
	784	67	1070%	**1,232**	1,592	-23%
Oil and gas operating loss	**(48)**	(44)	9%	**(94)**	(139)	-32%
Other revenue	**62**	98	-37%	**126**	199	-37%
Combined operating income [1]	**798**	121	560%	**1,264**	1,652	-23%

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

New Town SWD Facility

Environmental and Safety:

There were two minor spills in the tank farm during the second quarter. These spills were immediately reported to the regulator and cleaned up while actions were taken to prevent future spills. White Owl continually monitors plant and equipment safety and during the six months ended June 30, 2021, sump pumps were upgraded to a higher electrical rating and lighting protection on the tank farm "catwalks" was improved.

Operating Income:

Operating income increased almost seven-fold to $422,000 in Q2 2021 from $67,000 in Q2 2020 mainly due to higher disposal volumes, increased oil recovery and improved oil pricing, as discussed below. These increases reflect improving market conditions as customers slowly get back in the field and pursue completion programs.

For the six months ended June 30, 2021, the New Town SWD facility generated operating income of $678,000, a 7% improvement over $633,000 for the comparable 2020 six-month period.

Volumes:

Recovered oil volumes doubled to 4,405 barrels in Q2 2021 from 2,166 barrels in Q2 2020, while fluid disposal (production water and flowback) volumes increased 32% over the same periods. For the six months ended June 30, 2021, recovered oil volumes increased 41% to 8,085 barrels from 5,729 barrels for the six months ended June 30, 2020.

Two of White Owl's primary customers commenced drilling and completions programs adjacent to the New Town SWD facility in March 2021. This activity has resulted in 78% capacity utilization for fluid disposal or 13,277 bpd in Q2 2021 compared to capacity utilization of 59%, or 10,040 bpd, in Q2 2020. During the prior quarter, Q1 2021, capacity utilization was 62%, or 10,568 bpd, as production water was diverted to these fracking programs.

Revenues and Pricing:

During Q2 2021, total revenues increased 42% to $998,000 in Q2 2021 from $703,000 in Q2 2020 mainly due to a five-fold increase in recovered oil revenues. The improved oil revenues resulted from a doubling of recovered oil sales and a 176% increase in the realized net oil price. During the same three-month period, trucked-in production and flowback water volumes increased 32% and total disposal revenue increased 27% while pricing declined 6% due to competitive pricing pressures.

For the six months ended June 30, 2021, total revenues decreased 14% to $1,792,000 from $2,084,000 for the comparable 2020 six-month period. The decline in revenue was mainly due to a 9% decrease in disposal volumes combined with an 18% decrease in disposal pricing due to market conditions, more than offsetting a 144% increase in recovered oil revenues.

Operating Costs:

The New Town SWD facility receives trucked-in volumes only and White Owl maintains operators on-site for 24 hours per day to supervise the unloading of the trucks. During Q2 2021, operating costs decreased 9% to $576,000 in Q2 2021 from $636,000 in Q2 2020 even though fluid disposal volumes increased 32% in the current quarter compared to the prior year comparable quarter.

For the six months ended June 30, 2021, operating costs decreased 23% to $1,114,000 from $1,451,000 for the six months ended June 30, 2020, as fluid disposal volumes decreased 9% to 11,930 bpd in the current six-month period compared to the prior year comparable period.

Watford City SWD Facility

Environmental and Safety:

There were no environmental or safety incidents in the three and six months ended June 30, 2021. Previous safety and environmental upgrades included electrically upgraded sump pumps and improved tank monitoring to prevent spills.

Operating Income:

For the three months ended June 30, 2021, the Watford City SWD facility generated operating income of $297,000 a ten-fold increase from $30,000 in Q2 2020. For the six months ended June 30, 2021, operating income totaled $550,000, up 20% from $459,000 recorded for the six months ended June 30, 2020. The much-improved operating income at this facility in 2021 to date is due to higher fluid disposal volumes and stronger prices for the increased volumes of recovered oil.

Volumes:

Watford City SWD fluid disposal volumes increased 48% to 8,734 bpd in Q2 2021 from 5,895 bpd in Q2 2020. This increase in volumes is mainly due to customers' completion of DUCs in response to the strengthening commodity prices. For the six months ended June 30, 2021, fluid disposal volumes have remained steady at 8,211 bpd compared to 8,282 bpd in the comparable 2020 six-month period.

The increased completion of DUCs has resulted in flowback volumes increasing to 598 bpd in Q2 2021 from 27 bpd in Q2 2020, and almost tripling to 361 bpd for the six months ended June 30, 2021 from 134 bpd for the comparable 2020 six-month period.

Recovered oil volumes doubled to 2,410 barrels in Q2 2021 from 1,241 barrels in Q2 2020, while for the six months ended June 30, 2021, recovered oil volumes totaled 5,614 barrels, virtually unchanged from 5,699 barrels in the comparable 2020 six-month period.

Revenues and Pricing:

For the three months ended June 30, 2021, the Watford City SWD facility revenues increased 76% to $653,000 from $371,000 in Q2 2020. This increase is a result of increased fluid disposal volumes and higher recovered oil volumes (up 48% and 94%, respectively) and oil prices.

For the six months ended June 30, 2021, total revenues decreased 9% to $1,257,000 from $1,384,000 in the comparable 2020 six-month period as the 67% increase in oil revenues was offset by a 16% decrease in fluid disposal revenues. Pricing decreased 18% and 36% for production water and flowback, respectively, due to competitive pressures.

Operating Costs:

For the three months ended June 30, 2021, operating costs increased 4% to $356,000 from $341,000 in Q2 2020, even though fluid volumes disposed increased 48%. For the six months ended June 30, 2021, operating costs decreased 24% to $707,000 from $925,000 in the comparable six-month period of 2020 even though fluid disposal volumes remained flat. The lower level of operating costs relative to fluid disposal volumes in the three and six months ended June 30, 2021, is attributable to improved efficiency of operations in 2021 relative to 2020. Disposal volumes at the facility during the first half of the year have been primarily trucked-in, despite the pipeline connection to the plant and as a result staffing has not been reduced with operators on site 24 hours per day.

Ross SWD Facility

Environmental and Safety

There were no environmental or safety incidents in the three and six months ended June 30, 2021. As a safety improvement, the sump pumps at the facility have been upgraded to a higher electrical rating.

Operating Income:

For the three months ended June 30, 2021, the Ross SWD facility generated operating income of $196,000, an increase of 4% from $188,000 in Q2 2020. This increase was due to the higher oil revenues and the significantly lower operating costs which, combined, more than offset the financial impact of lower fluid disposal revenues and flowback pricing.

For the six months ended June 30, 2021, operating income decreased 43% to $354,000 from $617,000 for the comparable six-month period in 2020, caused by weak market conditions and the development of a competing producer SWD well as discussed under *"Volumes"* below.

Volumes:

The Ross SWD volumes continue to be affected by market conditions and the commissioning of a competing saltwater disposal well in February 2021 by a White Owl customer. As a result, Q2 2021 fluid disposal volumes averaged 1,364 bpd, down 81% from 7,205 bpd in Q2 2020, while for the six months ended June 30, 2021, fluid disposal volumes decreased 77% to 2,076 bpd from 8,915 bpd in the comparable six-month period in 2020.

The customer owned SWD does not accept third party volumes for disposal which is expected to lead to increased third party volumes at the Ross SWD once activity levels improve as forecast. With continued higher commodity prices, other area producers are expected to increase drilling and completion activity in the area beginning in Q4 2021.

Recovered oil volumes were down 43% to 3,290 barrels in the quarter from 5,795 barrels in Q2 2020 although prices received for the recovered oil were 151% higher. For the six months ended June 30, 2021, recovered oil volumes decreased 34% to 8,442 barrels from 12,769 barrels in the six months ended June 30, 2020, although recovered oil prices improved 67%.

Revenues and Pricing:

Recovered oil revenues increased 43% in Q2 2021 over Q2 2020, as strong oil prices led to the realised net price for recovered oil increasing 151% to US$58.14 per barrel in the current quarter, more than offsetting the lower oil volumes (down 43%). For the six months ended June 30, 2021, recovered oil revenues increased 10% compared to the six months ended June 30, 2020, as the realised net oil price increased 67% to US50.73 per barrel. However, the decrease in fluid disposal volumes has resulted in total revenues for the Ross SWD decreasing to $332,000, down 49% from $654,000 in Q2 2020. For the six months ended June 30, 2021, total revenues decreased 52% to $801,000 from $1,655,000 in the six months ended June 30, 2020. Water disposal pricing at the Ross SWD has not been reduced, while flowback pricing has decreased 15% due to competitive pressures.

Operating Costs:

With the lower disposal volumes, minimizing fixed costs to the extent possible continues to be a focus. Labour costs have been significantly reduced as the facility went to unmanned operations in April 2021. For the three months ended June 30, 2021, operating costs decreased 71% to $136,000 from $466,000 in Q2 2020. For the six months ended June 30, 2021, operating costs decreased 57% to $447,000 from $1,038,000 in the prior year comparable six-month period.

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 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 wastewater and pesticide rinsate.

Environmental and Safety

As previously reported, the Alexander Class 1 facility was temporarily shut down in April 2021 after receiving contaminated wastewater that did not meet permit conditions. White Owl and the customer are working on a solution with the regulator with the expectation that the facility will resume operations in Q4 2021.

Operating Income:

For the three and six months ended June 30, 2021, the Alexander facility recorded operating losses of $65,000 and $124,000, respectively, compared to operating losses of $213,000 and $194,000 for the three and six months ended June 30, 2020, respectively. The operating losses for the 2021 three and six-month periods were a result of the temporary shut-in of the facility. The operating losses for the three and six months ended June 30, 2020, were due to well workover costs of $282,000.

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 three and six months ended June 30, 2021.

Operating Income:

For the three and six months ended June 30, 2021, the Tioga SWD JV facility recorded operating income of $67,000 and $183,000, respectively, compared to operating income of $143,000 and $430,000 for the three and six months ended June 30, 2020, respectively. The main reason for the lower operating income is a decrease in fluid disposal volumes, although recovered oil volumes increased, as discussed below.

Volumes:

In Q2 2021, recovered oil volumes increased 18% to 2,396 barrels from 2,035 barrels in Q2 2020, although water disposal volumes were significantly lower (down 85%) than the prior year quarter.

Market conditions and the commissioning of a customer constructed SWD in September 2020 have led to lower fluid disposal volumes in 2021. As a result, for the three and six months ended June 30, 2021, fluid disposal volumes averaged 2,065 bpd and 2,685 bpd, respectively, compared to 14,217 bpd and 14,616 bpd for the three and six months ended June 30, 2020, respectively.

During Q4 2021, an area customer is planning to commence completion of its DUC inventory which is expected to increase volumes later in the year.

Revenues and Pricing:

The 18% increase in recovered oil volumes combined with a 105% increase in the realized net oil price resulted in recovered oil revenues increasing 142% in Q2 2021 compared to Q2 2020. For the six months ended June 30, 2021, the 13% increase in recovered oil volumes combined with a 62% increase in the realized net oil price resulted in recovered oil revenues increasing 83% compared to the six months ended June 30, 2020.

Despite the increase in recovered oil revenues and oil pricing, there was a significant decrease in water disposal volumes which were down 85% and 82% for the three and six months ended June 30, 2021, respectively, compared to the 2020 comparable periods as explained above. In addition, pricing for water and flowback decreased due to competitive pressures.

These factors combined to result in total revenues for the Tioga SWD facility decreasing 68% to $153,000 and 68% to $322,000 from $473,000 and $1,012,000 for the three and six months ended June 30, 2020, respectively.

Operating Costs:

In the second quarter, the site continued to operate with an operator on site 12 hours during the day and unmanned at night. The operators at Tioga also support the unmanned operations at the nearby Epping and Ross SWDs. The lower disposal volumes and reduced staffing resulted in operating costs decreasing 70% to $86,000 in Q2 2021 from $290,000 in Q2 2020. For the six months ended June 30, 2021, operating costs decreased 69% to $179,000 from $582,000 for the six months ended June 30, 2020, in line with the 82% decrease in fluid disposal volumes and the 13% increase in recovered oil 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 three and six months ended June 30, 2021. In 2020, there were improvements in tank level monitoring to help reduce spills and upgraded sump pumps to improve electrical safety.

Operating Income:

For the three months ended June 30, 2021, operating income increased 42% to $34,000 from $24,000 in Q2 2020 as the significant reduction in operating costs more than offset the revenue decrease. For the six months ended June 30, 2021, operating income remained relatively flat at $69,000 compared to $71,000 for the six months ended June 30, 2020.

Volumes:

Total fluid disposal volumes averaged 5,867 bpd and 5,445 bpd for the three and six months ended June 30, 2021, down 8% and 21% for the three and six months ended June 30, 2020, respectively, due to market conditions. In the three and six months ended June 30, 2021, 83% and 79%, respectively, of fluid volumes were received by pipeline, compared to 85% and 87% in the three and six months ended June 30, 2020, respectively.

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 and during 2021, both White Owl and Hess have been working together to maximize the pipeline volumes. This is an ongoing effort and has already resulted in a 30% increase in Hess pipeline volumes in Q2 2021 over Q1 2021 levels.

Recovered oil volumes decreased to 227 barrels in Q2 2021 from 893 barrels in Q2 2020 and decreased to 888 barrels for the six months ended June 30, 2021 from 1,855 barrels for the six months ended June 30, 2020, mainly due to the higher proportion of pipeline volumes in 2021 compared to 2020. Pipeline water volumes have less oil content.

Revenues and Pricing:

The decrease in fluid disposal volumes and recovered oil volumes, combined with a 10% decrease in water disposal pricing resulted in total revenues of $117,000 in Q2 2021, down 21% from $149,000 in Q2 2020. For the six months ended June 30, 2021, total revenues decreased 30% to $235,000 from $338,000 in the six months ended June 30, 2020.

Recovered oil sales revenues decreased 46% and 23% in the three and six months ended June 30, 2021, compared to the comparable 2020 periods as the stronger realised net oil prices were more than offset by than the lower recovered oil volumes.

Operating Costs:

In response to the lower disposal volumes, labor costs have been reduced by reducing manpower from a staff of three operators (required for 24 hours per day operations) to one person on a half-time basis. As a result, operating costs decreased 34% to $83,000 in Q2 2021 from $125,000 in Q2 2020 and decreased 38% to $166,000 for the six months ended June 30, 2021 from $267,000 for the six months ended June 30, 2020.

Canada - Clairmont Terminal

Environmental and Safety

There were no environmental or safety incidents in the three and six months ended June 30, 2021.

Operating Results

During May 2021, the Blend Skid at the Clairmont plant in Alberta was commissioned and in June oil volumes were accepted for processing and blending. This expanded plant capability resulted in total oil volumes of 3,540 M3 being shipped on the Pembina pipeline (to which Clairmont is connected on site) in Q2 2021. During July 2021, oil volumes for processing and blending, increased to 4,953 M3 or 33% of capacity.

In June 2021, White Owl completed an acid stimulation workover on the wastewater disposal well, improving the capability of the well to about 200 M3 per day from 45 M3 per day and resulting in 5,651 M3 of wastewater disposal for the six months ended June 30, 2021. In Q1 2021, oil volumes and wastewater disposal volumes were minimal due to the construction and commissioning activities related to the Blend Skid.

For the three and six months ended June 30, 2021, the Clairmont Terminal incurred operating losses of $215,000 and $532,000, respectively, compared to similar operating losses of $256,000 and $563,000 for the three and six months ended June 30, 2020, respectively.

Following commissioning of the Blend Skid and completion of the wastewater well workover in Q2 2021, White Owl anticipates business to increase as the customer base grows. Also, oil and gas activity in the area is expected to improve as Montney development increases to meet Kitimat LNG project natural gas demand. In Q4 2021, oil volumes are expected to reach approximately 60% of the facility capacity (15,000 M3 per month), up from the 30% and 33% of capacity level in June and July 2021, respectively.

Well Abandonments

White Owl is planning to abandon two shut-in oil wells in Q3 2021 with funding approved by the Government of Alberta's federally funded Site Rehabilitation Program ("SRP"). 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 Class 2 water disposal wells to support future expansion initiatives. White Owl is planning an abandonment program for the remaining shut-in wells. Additional SRP funding to partially fund the remaining shut-in oil wells, has been applied for. 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 and six months ended June 30, 2021, other revenue decreased to $62,000 and $126,000, respectively, from $98,000 and $199,000 for the three and six months ended June 30, 2020, respectively, mainly due to lower operating costs at the Tioga and Epping joint ventures resulting in lower administrative fees for White Owl. Staffing reductions due to market conditions were the main reasons for the lower operating costs at these facilities.

G&A Expenses

	Three months ended June 30,		Six months ended June 30,	
($000's)	**2021**	2020	**2021**	2020
Salaries and management	**219**	143	**460**	407
Professional fees	**42**	118	**78**	285
Travel and related expenses	**13**	9	**21**	37
General office expenses	**38**	66	**81**	159
Third party consulting fees	**20**	18	**36**	36
Lease liability recoveries	**(3)**	(3)	**(6)**	(6)
	329	351	**670**	918

In Q2 2021, G&A expenses decreased 6% to $329,000 from $351,000 in Q2 2020. The increase in salaries and management expenses is mainly due to the recording in Q2 2021 of a credit of $45,706 for the Canadian Emergency Wage Subsidy ("CEWS"), substantially lower than the CEWS credit of $93,419 recorded in Q2 2020. Professional fees for the three months ended June 30, 2021, have significantly decreased to $42,000 from $118,000 in Q2 2020 due to lower legal costs. Similarly, general office expenses have decreased to $38,000 from $66,000 in Q2 2020 due to lower computer support and office rental expenses. General office expenses include a credit of $8,210 in Q2 2021 for the Canadian Emergency Rent Subsidy ("CERS") compared to nil recorded in Q2 2020.

For the six months ended June 30, 2021, salaries and management expenses increased 13% due mainly to the receipt of lower federal government assistance amounts compared to the comparable 2020 six-month period. For the six months ended June 30, 2020, $67,542 was credited to salaries and management expenses in respect of amounts received under the CEWS program compared to $93,419 for the six months ended June 30, 2020. Professional fees for the six months ended June 30, 2021, have been significantly reduced to $78,000 from $285,000 for the comparable 2020 six-month period.

General office expenses have also been significantly reduced to $81,000 for the six months ended June 30, 2021, about one-half of the $159,000 recorded in the comparable 2020 period. General office expenses include a credit of $19,233 in the six months ended June 30, 2021, for CERS compared to nil recorded in the comparable 2020 period.

Depreciation

Depreciation for the three months ended June 30, 2021, totaled $428,000 compared to $433,000 in Q2 2020. For the six months ended June 30, 2021, depreciation decreased 8% to $850,000 from $926,000 in the comparable 2020 six-month period.

Impairment

As at June 30, 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 and six months ended June 30, 2021.

As 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 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 June 30,		**Six months ended June 30,**	
($000's)	**2021**	2020	**2021**	2020
Interest on term loan	**151**	146	**311**	325
Interest on promissory notes and mortgage payable	**11**	8	**21**	16
Interest on lease liabilities	**5**	6	**10**	10
Accretion of decommissioning obligations	**22**	14	**36**	38
Bank charges and other expenses	**44**	2	**34**	10
	233	176	**412**	399

In Q2 2021, the Company's average term loan interest rate was 6.75% compared to an average of 5.50% in Q2 2020, resulting in interest on the term loan increasing to $151,000 in Q2 2021 from $146,000 in Q2 2020. The increase in bank charges and other interest is mainly due to renewal fees paid to the senior lender. 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 21).

Foreign Exchange Losses, Gains

For the three months ended June 30, 2021, the Company recorded foreign exchange gains of $89,000, compared to $294,000 in Q2 2020. For the six months ended June 30, 2021, the Company recorded foreign exchange gains of $175,000 compared to foreign exchange losses of $278,000 for the six months ended June 30, 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 June 30, 2021, was 1.2280 compared to 1.3859 for Q2 2020, while for the six months ended June 30, 2021, the average exchange rate was 1.2473 compared to 1.3649 for the comparable 2020 six-month period.

Share-based payments

For the three and six months ended June 30, 2021, the Company recorded share-based payments of $25,000 and $49,000, respectively, compared to $1,000 and $3,000 for the three and six months ended June 30, 2020, respectively. Share-based payments relate to the amortization of the fair value 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)	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue	$2,418	$2,230	$2,380	$2,606	$2,607	$4,648	$5,289	$4,776
EBITDA (1)	469	125	195	169	(230)	964	1,729	2,048
Net Income (loss)	276	(427)	(138)	(399)	(557)	(11,500)	(531)	2,531

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

The net income of $276,000 in Q2 2021 is an improvement over prior quarterly results mainly due to stronger recovered oil volumes and pricing and lower operating costs, as previously discussed. Revenues, EBITDA, and Net Loss in the quarters of 2021 and 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 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.

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, loans payable 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 June 30, 2021, the Company had negative working capital of $7,866,000, an accumulated deficit of $29,289,000 and net loss for the six months ended June 30, 2021 of $151,000. 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 June 30, 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. Please refer to Note 5 to the condensed consolidated interim financial statements for the three and six months ended June 30, 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 June 30,		**Six months ended June 30,**	
($000's)	**2021**	2020	**2021**	2020
Capital expenditures	**$96**	$116	**$230**	$278
Acquisition of 15% joint interest in Tioga Joint Venture	**-**	-	**-**	1,000
	$96	$116	**$230**	$1,278

Capital expenditures

Capital expenditures during the three and six months ended June 30, 2021 are mainly White Owl's share of Clairmont recommissioning and wastewater disposal well completion costs (please see **Canada - Clairmont Terminal** on Page 15).

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 June 30, 2021	65,633	$21,118	26,469	$12,353	92,102	$33,471

As at June 30, 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 June 30, 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 Alberta Treasury Branches ("ATB") which amends and restates in its entirety the previous credit agreement between the Company and ATB. Under the terms of the Commitment Letter, the Company will have a non-revolving reducing loan facility (the "Term Loan") in the amount of US$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 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 six months ended June 30, 2021, the Company made principal payments on the Term Loan of $485,364 (US$390,000) (2020 - $581,262 (US$426,622).

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 $10,561 (December 31, 2020 - $12,334). The Company had drawn $nil on the Operating Loan at June 30, 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
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 June 30, 2021 was 1.09 (December 31, 2020 – 1.17). The ratio is calculated based on the trailing four quarters at June 30, 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 June 31, 2021 was 1.75 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. ATB has extended the requirement from May 31, 2021, for White Owl and ATB to 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.

Promissory Note Settlement

On January 17, 2020, White Owl Ltd. entered into a release agreement with the Clairmont Terminal vendor for a final repayment of $300,000 to fully repay the remaining $1,400,000 outstanding on the Vendor Note. As a result, a gain on settlement of promissory note of $1,100,000 was recorded in comprehensive loss for the six months ended June 30, 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

White Owl's operations and facilities are subject to rigorous federal, provincial, US state and local environmental, health and safety laws and regulations governing among other things, the handling and storage of petroleum products, waste disposal, spills and the protection of employee health, safety and the environment. The Corporation continuously works to reduce its emissions intensity and its use of fresh water while safety of operations is a focus throughout the organisation.

Board constitution and culture is a continuous focus. The Corporation recognizes that predictable, continuous, and strong financial performance requires corporate commitment and focus from the highest level. A holistic approach to sustainability starts with our Board of Directors and lays the groundwork for long-term performance and risk management.

The Corporation takes a keen interest in the communities in which it operates and embraces every opportunity to have its employees contribute in local community activities.

OUTLOOK

Industry Overview

The outlook for oilfield processing and services is slowly improving as the crude oil and natural gas industry continues to recover from the adverse impact of the COVID-19 pandemic. Rising vaccination rates globally tend to support the recovery of crude oil demand, resulting in meaningful crude oil inventory declines and price recovery. Recovering oil demand coupled with OPEC+ nations' moderated crude oil supply have resulted in strong global commodity prices throughout the second quarter of 2021, with the benchmark price of West Texas Intermediate ("WTI") averaging US$62 in April, US$65 in May, US$71 in June and, despite recent weakness, averaging US$72 in July.

We are researching our customers' public information and the overall theme is to expect a multi-year recovery cycle for our industry to achieve pre-COVID-19 pandemic activity levels and operating conditions. In North Dakota the increases to activity have been incremental, as our customers have moderated capital spending, remain committed to cash generation, maintain current production levels, and continue to prioritize shareholder returns. We expect to see producers revisit and even increase drilling programs during Q4 2021, with more meaningful increases in activity in 2022. The recent Dakota Access Pipeline ("DAPL") expansion is an encouraging sign.

On August 6, 2021, the owners of DAPL, Energy Transfer, announced a 180,000 barrels of oil per day increase in the line's capacity to 750,000 barrels of oil daily. Energy transfer also stated that once the full expansion is in operation, as much as 1.1 million barrels of oil will flow through the pipeline each day. Meanwhile, the U.S. Army Corps of Engineers ("Corps") is evaluating the expansion in its ongoing environmental study of the DAPL line. The study will determine whether the Corps reissues a permit for the line to cross the Missouri River, which was revoked last year after U.S. District Judge ordered the study.

Canadian Activity

Over the next two years to 2024, the services industry in Canada is anticipated to recover and propel its growth, with both crude oil and natural gas prices forecast to improve. With stronger commodity prices, this will likely lead to our ability to charge higher prices for our processing and disposal services, bolstering industry revenue. The primary focus of our Canadian business is on the Clairmont midstream facility where we anticipate growing throughput, increased water disposal volumes and improved profitability. The blend facility has only been running for two months and our marketing partner is working to deliver increasing volumes to the plant at higher fees.

We are still assessing the impact on the market of the Secure/Tervita merger on processing and disposal services in the area. Early indications suggest that producers will be looking for a reliable and cost effective alternative to the virtual monopoly that Secure holds in the Grande Prairie market area.

US Activity

North Dakota, representing over 90 percent of company wide revenue year to date, showed a steady improvement over the second quarter. We expect North Dakota activity to continue to modestly improve throughout the third and fourth quarters of 2021 with a substantial pickup in 2022 as producers are expected to gain more confidence in the improving market conditions. North Dakota's rig count stands at 23 and NDIC director Lynn Helms does not expect the rig count to rise much this year before a stronger recovery next year. "North Dakota drilling permit activity is slowly increasing but remains volatile due to oil price uncertainty", Helms also said in his May report.

Strategic Review

As previously announced, White Owl's senior lender has requested that the Corporation source another banker prior to December 31, 2021. Following this request by the bank, White Owl formed a Special Committee (the "Committee") to review strategic alternatives and to source alternative debt solutions. At this time, the Committee has accepted a non-binding term sheet from an alternate lender who is commencing the due diligence process.

The Committee is also reviewing other alternatives for the Corporation in the event that the alternate lender financing does not proceed.

Other Matters

The Company generated positive EBITDA during the second quarter of 2021 and reduced its debt by US$0.3 million to $7.2 million as of June 30, 2021. We continue to pursue government COVID related programs both in Canada and the US and in the second quarter received a second loan in the amount of US$400,263 under the US federal Paycheck Protection Program ("PPP"), which becomes a grant if used for salaries and wages and other allowable expenses in North Dakota. These government support programs have been a "life saver" allowing us to retain most of our key people.

In August 2021, the Company received confirmation that the first PPP loan in the amount of US$356,810 was forgiven. Upon forgiveness in August 2021, the Company derecognized the carrying value of the PPP loan with an offset to gain on settlement of loans payable in comprehensive income (loss).

We would again 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.

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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