



November 24, 2021

REPORT TO OUR SHAREHOLDERS

To Our Shareholders,

We are pleased to provide you with the condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2021 and 2020, and Management's Discussion of Financial Results of White Owl Energy Services Inc. ("White Owl" or "the Corporation" or "the Company") for the three and nine months ended September 30, 2021 and 2020.

THIRD QUARTER SEPTEMBER 30, 2021 HIGHLIGHTS

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

- On October 14, 2021, with closing expected in Q4 2021, the Company entered into an agreement with a new senior lender for a US\$7,700,000 term loan to payout the term loan with its existing lender, which is due for repayment on December 31, 2021 and to provide growth working capital. In addition, on October 18, 2021, the Company entered into a US\$1,000,000 demand operating loan agreement with a second lender which will replace the Company's existing Operating Loan, with closing expected in Q4 2021.
- In Q3 2021, producer activity has continued to improve in North Dakota, as evidenced by increased flowback and recovered oil volumes. Flowback volumes are richer in oil than production water and averaged 1,151 barrels per day ("bpd") in Q3 2021 compared to 501 bpd in Q3 2020. This growth in flowback volumes has continued into the fourth quarter with October 2021 averaging 1,711 bpd, an increase of almost 50% over the Q3 2021 average which, combined with strong oil prices has resulted in EBITDA of \$330,000 for the month of October, 2021.
- Q3 2021 EBITDA improved to \$387,000 from \$169,000 in Q3 2020, after deducting tank clean out and well workover costs of \$133,000 which normally occur every three to five years, respectively. Therefore, adjusted EBITDA for Q3 2021 is \$520,000. The improved EBITDA is mainly due to increased recovered oil volumes, strengthening oil prices, higher flowback volumes and lower operating costs.
- The average realized net oil price for White Owl's recovered oil volumes has increased every quarter over the past four quarters, reaching an average of \$77.23 per barrel in Q3 2021, up 82% from \$42.44 per barrel in Q3 2020.

- Recovered oil volumes increased 26% to 10,361 barrels in Q3 2021 from 8,209 barrels in Q3 2020 even though fluid disposal volumes decreased 22% 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 by US\$390,000 during the nine months ended September 30, 2021, to US\$7,201,031.
- The abandonment of three shut-in oil wells at the Clairmont facility in the third quarter of 2021 was a major accomplishment toward White Owl's Environmental Social Governance goals, with funding provided by the Government of Alberta's federally funded Site Rehabilitation Program.
- With the second quarter commissioning of the Blend Skid at the Clairmont facility in Alberta, the expanded plant capability resulted in total oil volumes of 13,583 M3 being shipped on the Pembina pipeline (to which Clairmont is connected at the site) in Q3 2021 compared to 3,540 M3 in the previous quarter. In Q3 2021, waste-water disposal volumes increased to 6,276 M3 from 3,799 M3 in the previous quarter.
- On August 18, 2021, the Company received confirmation that the first US federally funded Paycheck Protection Program loan in the amount of US\$356,810 was forgiven. This amount was received in Q2 2020 and was used to fund North Dakota facility operating expenses including payroll, utilities and rentals. The full amount of the forgiven loan is included in the Condensed Consolidated Interim Statement of Comprehensive Income (Loss) for the three and nine months ended September 30, 2021, as a "gain on loan payable forgiveness".
- In Q3 2021, White Owl also received US \$53,996 under the recently introduced US funded Employee Retention Credit which provides a credit for payroll taxes in respect of US based employees, compared to US \$36,200 in the previous quarter. White Owl received CAD \$38,892 in Q3 2021 under the Canadian Emergency Wage Subsidy ("CEWS") and Canadian Emergency Rent Subsidy ("CERS") programs compared to CAD \$53,916 in the previous quarter.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

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

(\$000's, unless otherwise noted)	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	%	2021	2020	%
North Dakota operations						
Disposal volumes (Bbls)	2,564,932	3,297,465	-22%	7,136,684	10,587,208	-33%
Recovered oil sales volumes (Bbls)	10,361	8,209	26%	35,064	35,018	-
Disposal revenue (\$ per Bbl)	\$0.62	\$0.66	-5%	\$0.62	\$0.76	-19%
Oil sales revenue (\$ per Bbl)	\$77.23	\$42.44	82%	\$68.66	\$41.61	65%
Operating costs and royalties (\$ per Bbl)	\$0.58	\$0.60	-4%	\$0.59	\$0.65	-9%
North Dakota disposal and services revenue						
Disposal revenue	\$1,603	\$2,170	-26%	\$4,416	\$7,995	-45%
Oil sales revenue	800	348	130%	2,407	1,457	65%
Other revenue	71	88	-19%	197	287	-31%
Total revenue – North Dakota	2,474	2,606	-5%	7,020	9,739	-28%
Operating costs	(1,480)	(1,979)	-25%	(4,228)	(6,895)	-39%
Operating income – North Dakota⁽¹⁾	\$994	\$627	59%	\$2,792	\$2,844	-2%
Alberta operations⁽²⁾						
Volumes (Bbls)						
Disposal and third-party processing	130,822	-	100%	156,396	81,214	93%
Revenue						
Disposal and third-party processing	\$177	-	100%	\$278	\$121	130%
Oil and gas sales	-	-	-	1	1	-
Total revenue - Alberta	177	-	100%	279	122	129%
Operating costs	(410)	(144)	185%	(1,046)	(830)	26%
Operating loss - Alberta⁽¹⁾	(\$233)	(\$144)	62%	(\$767)	(\$708)	8%
Combined operations						
Oilfield disposal and processing revenue	\$2,580	\$2,518	2%	\$7,101	\$9,573	-26%
Oil and gas sales	-	-	-	1	1	-
Other revenue	71	88	-19%	197	287	-31%
Total revenue	2,651	2,606	2%	7,299	9,861	-26%
Operating costs	(1,890)	(2,123)	-11%	(5,274)	(7,725)	-32%
Operating income⁽¹⁾	761	483	58%	2,025	2,136	-5%
General and administrative expenses (“G&A”)	(374)	(314)	19%	(1,044)	(1,232)	-15%
EBITDA⁽¹⁾	\$387	\$169	129%	\$981	\$904	9%
Other income and expenses						
Depreciation and depletion	(423)	(465)	-9%	(1,273)	(1,391)	-8%
Amortization	(15)	(15)	-	(45)	(49)	-8%
Impairment	-	-	-	-	(12,360)	-100%
Finance costs	(151)	(180)	-16%	(563)	(579)	-3%
Share-based payments	(21)	(9)	133%	(70)	(12)	483%
Foreign exchange (losses) gains	(267)	154	-273%	(92)	(124)	-26%
Gain on settlement of promissory notes	-	-	-	-	1,100	-100%
Gain on disposal of property, plant and equipment - net	(15)	(52)	-71%	405	(46)	980%
Gain on loan payable forgiveness	455	-	100%	455	-	100%
Gain on modification of lease liabilities	12	-	100%	12	-	100%
Income tax expense	-	(1)	-100%	-	(4)	-100%
Deferred income tax recovery	-	-	-	-	105	-100%
Net loss	(\$38)	(\$399)	-90%	(\$190)	(\$12,456)	-98%

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



Among the highlights for the three and nine months ended September 30, 2021, were strong recovered oil volumes (despite lower oilfield activity during the past one and one-half years) which combined with a much-improved oil price resulted in significantly higher oil revenues. Lower operating costs at all of White Owl's North Dakota facilities (please see **North Dakota** on Page 4 below for discussion on volumes, pricing and operating costs) also contributed to the improved financial results. As a result, Q3 2021 EBITDA increased 129% to \$387,000 from \$169,000 in Q3 2020 even after incurring \$133,000 in the current quarter for tank clean out and well workover costs which occur every three and five years, respectively. This results in adjusted EBITDA of \$520,000 for the three months ended September 30, 2021. For the nine months ended September 30, 2021, EBITDA increased 9% to \$981,000 from \$904,000 in the comparable 2020 nine-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 increased 2% to \$2,651,000 in Q3 2021 from \$2,606,000 in Q3 2020. For the nine months ended September 30, 2021, total combined revenue decreased 26% to \$7,299,000 from \$9,861,000 in the comparable 2020 period mainly due to the slowdown in oilfield activity in the second quarter of 2020, due to the COVID crisis.

To lessen the financial impact from lower volumes and revenues at all locations, White Owl implemented cost cutting measures early in Q2 2020 resulting in an 11% and 32% reduction in combined operating costs for the three and nine months ended September 30, 2021, respectively, compared to the three and nine months ended September 30, 2020, respectively.

North Dakota

Operating Income:

For the three months ended September 30, 2021, operating income increased 59% to \$994,000 from \$627,000 in Q3 2020 as higher recovered oil revenues (up 130%) and lower operating costs (down 25%) more than offset lower water disposal revenues (down 26%). In the current quarter, The New Town, Watford City and Ross SWD facilities accounted for 44%, 34% and 24%, respectively, of North Dakota operating income, almost unchanged from 44%, 31% and 21%, respectively, of North Dakota operating income in the prior quarter, Q2 2021.

For the nine months ended September 30, 2021, operating income remained relatively flat at \$2,792,000 compared to \$2,844,000 in the prior year comparable period. The current nine-month period continued to be impacted by the COVID-related weakening of market conditions, while the prior year nine-month period included stronger pre-COVID volumes and revenues for Q1 2020. In the current nine-month period, The New Town, Watford City and Ross SWD facilities accounted for 42%, 33% and 22%, respectively, of North Dakota operating income, virtually



unchanged from 41%, 33% and 21%, respectively, of North Dakota operating income in the 2020 comparable nine-month period.

Volumes:

North Dakota fluid disposal volumes have increased 6% to average 27,880 bpd in Q3 2021 from 26,257 bpd in Q2 2021 and from 24,258 bpd in Q1 2021. In the 2021 year to date, several customers continue to carry out active drilling and completion programs in the vicinity of the Corporation's SWD facilities. In particular, producers in the area of the New Town and Watford SWD facilities have diverted production water to fracking activities. This has had the effect of temporarily reducing volumes at the two facilities, however volumes are forecast to return once producers complete their programs (please see **Revenue and operating income (loss) – by facility** on Page 8). For example, at the New Town SWD facility, fluid disposal volumes have increased to the 13,000 - 14,000 bpd range in Q2 and Q3 2021 from the 10,000 - 11,000 bpd range in Q1 2021 as a direct result of producer completion activity in the first half of the year. The Tioga SWD facility has also experienced increased drilling and completion activity by its pipeline connected customer which is expected to result in increased pipeline volumes in early 2022.

Flowback volumes which contain higher concentrations of oil, continue to increase at all locations and have more than tripled from 362 bpd in Q1 2021 to 1,151 bpd in Q3 2021 due to increased completion activity. Flowback volumes continued to increase in Q4 2021 with October 2021 flow back volumes increasing by almost 50% to 1,711 bpd compared to the Q3 2021 average of 1,151 bpd.

For the nine months ended September 30, 2021, fluid disposal volumes decreased 32% to 26,135 bpd from 38,337 bpd in the 2020 comparable nine-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 nine-month period.

During Q3 2021, recovered oil volumes were strong, increasing 26% to 10,361 barrels from 8,209 barrels in Q3 2020, during a period when production fluid volumes for the quarter decreased by 22%. The increase in flowback volumes is the main reason for the strong recovered oil volumes. The New Town and Ross SWD facilities combined to account for 66% of recovered oil volumes sold in Q3 2021, compared to 77% in Q3 2020.

For the nine months ended September 30, 2021, recovered oil volumes remained flat at 35,064 barrels compared to 35,018 barrels for the comparable 2020 nine-month period even though total fluid disposal volumes decreased 33% compared to the comparable 2020 nine-month period. The New Town and Ross SWD facilities combined accounted for 66% of oil volumes sold in the current nine-month period, compared to 71% in the prior year comparable nine-month period.



The Alexander Class 1 facility resumed operations in early October 2021 following a shut-down period that extended from early Q2 2021 due to receipt of contaminated water. (Please see **Revenue and operating income (loss) – by facility** on Page 8).

Revenue and Pricing:

As previously mentioned, stronger recovered oil volumes and oil prices led to improved financial results in Q3 2021 compared to Q3 2020. 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\$0.90 for Q3 2021), trucking costs and taxes. In Q3 2021, the realised net oil price increased 82% to CAD\$77.23 per barrel from CAD\$42.44 per barrel in Q3 2020, while for the nine months ended September 30, 2021, the realised net oil price increased 65% to CAD\$68.66 per barrel compared to CAD\$41.61 per barrel in the comparable 2020 nine-month period. In Q3 2021, the higher oil price and recovered oil volumes (up 26% over Q3 2020) led to recovered oil sales revenues increasing 130% to \$800,000 in Q3 2021 from \$348,000 in Q3 2020. For the nine months ended September 30, 2021, recovered oil revenues increased 65% to \$2,407,000 from \$1,457,000 for the nine months ended September 30, 2020, as a higher realised net oil price (up 65%) combined with flat recovered oil volumes.

Fluid disposal revenues decreased 26% to \$1,603,000 in Q3 2021 from \$2,170,000 in Q3 2020 in response to the production shut-ins and reduced drilling and completion activity brought about by the COVID pandemic in 2020. Similarly, for the nine months ended September 30, 2021, fluid disposal revenues decreased 45% to \$4,416,000 from \$7,995,000 for the comparable 2020 nine-month period. Also compounding the downward pressure on revenues was reduced pricing for White Owl's fluid disposal services caused by competitive pressure due to COVID, resulting in pricing decreases of 5% and 19% for the three and nine months ended September 30, 2021, respectively.

Other revenue which includes recoveries from joint venture operations decreased 19% to \$71,000 in Q3 2021 from \$88,000 in Q3 2020 and decreased 31% to \$197,000 for the nine months ended September 30, 2021 from \$287,000 for the comparable 2020 nine-month period. 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:

Total operating costs in North Dakota declined by 25% and 39% to \$1,480,000 and \$4,228,000, respectively, for the three and nine months ended September 30, 2021, respectively, versus the comparable 2020 three and nine-month periods. The lower water disposal volumes reduced variable operating costs while the implementation of material cost-cutting measures in Q2 2020 reduced fixed operating costs. These cost reduction measures, included



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 32% in Q3 2021 compared to Q3 2020 and decreased 27% for the nine months ended September 30, 2021, compared to the comparable 2020 nine-month period.

Alberta

In June 2021, the Clairmont Terminal began accepting oil volumes for processing and blending following construction and commissioning of the Butane blend facility which was fully funded by Pivotal Energy Partners (“Pivotal”). In addition, the Clairmont Terminal has been accepting waste-water since January 2021 following completion of the water disposal well workover, a major portion of which was also funded by Pivotal. In August 2021, White Owl has also completed an acid stimulation workover on the water disposal well, improving the disposal capacity of the well to approximately 180 M3 per day from 45 M3 per day.

During Q3 2021, Pivotal who have marketing and transportation responsibility for sourcing oil volumes for the plant, is continuing to develop the business and as a result the Clairmont Terminal operated at about 30% of capacity for the current quarter. This capacity utilization level is not sufficient to earn positive operating income and as a result, in Q3 2021, operating losses for the Clairmont Terminal, including the costs of the shut-in oilfield, totaled \$233,000, compared to operating losses of \$144,000 in Q3 2020 when the Terminal was shut in. For the nine months ended September 30, 2021, Clairmont operating losses totaled \$767,000 compared to \$708,000 for the nine months ended September 30, 2020.

These losses are anticipated to be reduced as oil volumes in 2022 are expected to improve above current levels. Please see **Canada - Clairmont Terminal** on Page 20 for additional information.

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OPERATING LOCATIONS (dollar amounts in USD except Clairmont):

New Town SWD

		New Town Facility (amounts in USD except volumes)					
		Q3 2021	Q3 2020	Change	YTD 2021	YTD 2020	Change
Production Water - Trucked	b/d	13,448	11,829	14%	12,424	12,169	2%
Flowback	b/d	67	18	264%	40	481	-92%
Total Fluids Disposed	b/d	13,515	11,847	14%	12,464	12,650	-1%
Oil Sales	b/qtr, yr	3,140	2,468	27%	11,225	8,197	37%
Revenue:							
Production Water - Trucked		\$574,824	\$514,786	12%	\$1,581,545	\$1,715,029	-8%
Price for Production Water/bbl		0.46	0.47	-2%	0.47	0.51	-9%
Flowback		6,136	1,705	260%	10,944	161,419	-93%
Price for Flowback/bbl		1.00	1.01	-1%	1.00	1.23	-18%
Recovered Oil		192,168	78,806	144%	621,160	254,801	144%
Price for Oil/bbl		61.20	31.93	92%	55.34	31.08	78%
Total Revenue		773,128	595,297	30%	2,213,649	2,131,249	4%
Total Revenue/bbl.		\$0.62	\$0.55	14%	\$0.65	\$0.61	6%
Operating Expenses		454,153	529,922	-14%	1,348,807	1,593,955	-15%
Operating Income		\$318,975	\$65,375	388%	\$864,842	\$537,294	61%

Environmental and Safety:

There were minor spills of less than one barrel each at the New Town SWD during the third quarter of 2021 when several trucks were unloading at the same time resulting in tank overflow. Each time the spill was immediately cleaned up. Piping changes to the tank farm and the addition of a transfer pump will be implemented to prevent such future spills.

Operating Income:

Operating income increased almost five-fold to \$318,975 in Q3 2021 from \$65,375 in Q3 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 nine months ended September 30, 2021, operating income increased 61% to \$864,842 from \$537,294 for the comparable 2020 nine-month period, mainly due to higher recovered oil volumes (up 37%), oil pricing (up 144%) and lower operating costs (down 15%).



Volumes:

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 capacity utilization for fluid disposal increasing to 80%, or 13,515 bpd, in Q3 2021 compared to capacity utilization of 62% or 10,568 bpd in the first quarter of the current year and compared to 70%, or 11,847 bpd, in Q3 2020.

The increased producer activity has also led to higher recovered oil volumes which increased 27% to 3,140 barrels in Q3 2021 from 2,468 barrels in Q3 2020. For the nine months ended September 30, 2021, recovered oil volumes increased 37% to 11,225 barrels from 8,197 barrels for the nine months ended September 30, 2020.

Revenues and Pricing:

In Q3 2021, the improved fluid disposal and recovered oil volumes combined with the higher oil pricing resulted in a 30% increase in revenues to \$773,128 from \$595,297 in Q3 2020. Fluid disposal revenues for Q3 2021 increased 12% over Q3 2020, approximately matching the volume increase while pricing remained relatively flat. Recovered oil revenues increased 144% in Q3 2021 to \$192,168 from \$78,806 in Q3 2020 due to the higher volumes (up 27%) and the increased oil price (up 92%).

For the nine months ended September 30, 2021, total revenues increased 4% to \$2,213,649 from \$2,131,249 for the comparable 2020 nine-month period. The increase in revenue was mainly due to the higher oil revenues (up 144%) more than offsetting the lower water (down 8%) and flowback (down 93%) disposal revenues. Pricing for water disposal and flowback disposal was down 9% and 18%, respectively, year over year due to competitive pressures.

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 Q3 2021, operating costs decreased 14% to \$454,153 from \$529,922 in Q3 2020 even though fluid disposal volumes increased 14% in the current quarter compared to the prior year comparable quarter.

For the nine months ended September 30, 2021, operating costs decreased 15% to \$1,348,807 from \$1,593,955, even though fluid disposal volumes remained relatively flat, decreasing by only 2% in the current nine-month period compared to the prior year comparable period.

Watford City SWD

Watford Facility (amounts in USD except volumes)							
		Q3 2021	Q3 2020	Change	YTD 2021	YTD 2020	Change
Production Water - Trucked	b/d	7,491	8,214	-9%	7,729	7,477	3%
Production Water - Piped	b/d	0	2,044	-100%	0	1,380	-100%
Flowback	b/d	531	36	1392%	418	101	315%
Total Fluids Disposed	b/d	8,022	10,294	-22%	8,147	8,958	-9%
Oil Sales	b/qtr, yr.	2,482	1,766	41%	8,096	7,465	8%
Revenue:							
Production Water - Trucked		\$312,918	\$318,955	-2%	\$955,610	\$1,032,419	-7%
Price for Prodn. Water-Trucked/bbl		0.42	0.42	0%	0.45	0.50	-10%
Production Water - Piped		0	90,232	-100%	0	182,122	-100%
Price for Prodn. Water Piped/bbl		0.00	0.48	-100%	0.00	0.48	-100%
Flowback		48,364	4,114	1076%	118,528	43,678	171%
Price for Flowback/bbl		0.99	1.26	-21%	1.04	1.58	-34%
Recovered Oil		151,721	56,418	169%	448,563	233,747	92%
Price for Oil/bbl		61.13	31.95	91%	55.41	31.31	77%
Other Income		0	0	0%	0	0	0%
Total Revenue		513,003	469,719	9%	1,522,701	1,491,966	2%
Total Revenue/bbl.		0.70	0.50	40%	0.68	0.61	13%
Operating Expenses		266,285	270,896	-2%	833,309	950,030	-12%
Operating Income		\$246,718	\$198,823	24%	\$689,392	\$541,936	27%

Environmental and Safety:

There were no environmental or safety incidents in the three and nine months ended September 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 September 30, 2021, operating income for the Watford City SWD facility increased 24% to \$246,718 from \$198,823 in Q3 2020. For the nine months ended September 30, 2021, operating income increased 27% to \$689,392 from \$541,936 recorded for the nine months ended September 30, 2020. The improved operating income at this facility in 2021 to date is mainly due to increased producer activity in the area, resulting in higher flowback volumes (up 315%), increased recovered oil volumes (up 8%) and oil pricing (up 77%).



Volumes:

The Watford SWD facility has a broad customer base which results in fairly consistent volumes. Fluid disposal volumes averaged 8,022 bpd and 8,147 bpd for the three and nine months ended September 30, 2021, respectively. This compares to 10,294 bpd and 8,958 bpd for the three and nine months ended September 30, 2020. The decrease from the Q3 2020 disposal volume level is due to no pipeline water volumes being delivered to the facility in 2021 as the midstream pipeline operator is disposing of these volumes at its own saltwater disposal well.

Drilling and completion activity in the area has positively impacted flowback disposal volumes which averaged 531 bpd and 418 bpd for the three and nine months ended September 30, 2021, up substantially from 36 bpd and 101 bpd in the comparable 2020 three and nine-month periods.

The oil rich flowback volumes have boosted recovered oil volumes with 2,482 barrels sold in Q3 2021, an increase of 41% from 1,766 barrels sold in Q3 2020. For the nine months ended September 30, 2021, recovered oil volumes totaled 8,096 barrels, an increase of 8% from 7,465 barrels in the comparable 2020 nine-month period.

Revenues and Pricing:

For the three months ended September 30, 2021, the Watford City SWD facility revenues increased 9% to \$513,003 compared to \$469,719 in Q3 2020 as higher recovered oil revenues (up 169%) and flowback revenues (up more than ten-fold) more than offset lower pipeline water revenues (down 100%). The increase in flowback revenues is entirely due to higher volumes as flowback pricing is down about 21% year over year due to competitive pressures.

For the nine months ended September 30, 2021, total revenues increased 2% to \$1,522,701 from \$1,491,961 for the comparable 2020 nine-month period as higher recovered oil revenues (up 92%) more than offset lower pipeline water revenues (down 100%) and lower pricing for trucked-in water (down 10%) and for flowback (down 34%).

Operating Costs:

The lack of pipeline volumes at the facility during the three and nine months ended September 30, 2021 resulted in volumes received being trucked-in, resulting in operators being on site 24 hours per day. For the nine months ended September 30, 2021, operating costs decreased 12% to \$833,309 from \$950,030 in the comparable nine-month period of 2020 while fluid disposal volumes decreased 9% over the same period. For the three months ended September 30, 2021, operating costs decreased 2% to \$266,285 from \$270,896 in Q3 2020, approximately matching the 9% decrease in trucked-in water volumes.

Ross SWD

Ross Facility (amounts in USD except volumes)							
		<u>Q3 2021</u>	<u>Q3 2020</u>	<u>Change</u>	<u>YTD 2021</u>	<u>YTD 2020</u>	<u>Change</u>
Production Water - Trucked	b/d	2,644	5,768	-54%	2,147	7,785	-72%
Flowback	b/d	432	65	568%	266	95	179%
Total Fluids Disposed	b/d	3,076	5,833	-47%	2,413	7,880	-69%
Oil Sales	b/qtr, yr.	3,511	3,866	-9%	11,953	16,635	-28%
Revenue:							
Production Water - Trucked		\$121,568	\$265,335	-54%	\$293,055	\$1,071,868	-73%
Price for Production Water/bbl		0.50	0.50	0%	0.50	0.50	-1%
Flowback		45,343	6,671	580%	80,938	32,275	151%
Price for Flowback/bbl		1.14	1.12	2%	1.12	1.24	-10%
Recovered Oil		215,840	122,605	76%	644,089	511,583	26%
Price for Oil/bbl		61.48	31.71	94%	53.89	30.75	75%
Other Income		0	1,400	-100%	5,600	1,400	300%
Total Revenue		382,751	396,011	-3%	1,023,682	1,617,126	-37%
Total Revenue/bbl.		1.35	0.74	83%	\$1.55	\$0.75	107%
Operating Expenses		211,059	345,400	-39%	566,873	1,106,180	-49%
Operating Income (Loss)		\$171,692	\$50,611	239%	\$456,809	\$510,946	-11%

Environmental and Safety

There were no environmental or safety incidents in the three and nine months ended September 30, 2021. Previously implemented safety improvements included upgrading the sump pumps to a higher electrical rating.

Operating Income:

For the three months ended September 30, 2021, operating income at the Ross SWD facility more than tripled to \$171,692 from \$50,611 in Q3 2020. This increase was due to higher oil revenues (up 76%), increased flowback revenues (up seven-fold) and significantly lower operating costs (down 39%) which, combined, more than offset the financial impact of lower production water disposal revenues (down 54%).

For the nine months ended September 30, 2021, operating income decreased 11% to \$456,809 from \$510,946 for the comparable nine-month period in 2020, caused by weak market conditions and the development of a competing producer SWD well as discussed under “Volumes” below.

Volumes:

For the three and nine months ended September 30, 2021, the Ross SWD volumes were lower due to market conditions and the commissioning of a producer owned saltwater disposal well in February 2021. The customer-

owned SWD does not accept third party volumes for disposal. With continued higher commodity prices, area producers are expected to increase drilling and completion activity in the area beginning in Q4 2021.

Although market conditions resulted in fluid disposal volumes decreasing 47% to 3,076 bpd in Q3 2021 from 5,833 bpd in Q3 2020, recovered oil volumes were strong, declining only 9% to 3,511 barrels in Q3 2021 from 3,866 barrels in Q3 2020. Strong oil volumes were also evident for the nine months ended September 30, 2021, totaling 11,953 barrels for the period. This is a decrease of 28% from 16,635 barrels in the 2020 comparable nine-month period even though fluid disposal volumes decreased 69% to 2,413 bpd in the current nine-month period from 7,880 bpd in the 2020 comparable nine-month period.

Revenues and Pricing:

Recovered oil revenues increased 76% in Q3 2021 to \$215,840 from \$122,605 in Q3 2020, as strong oil prices led to the realised net price for recovered oil increasing 94% to \$61.48 per barrel in the current quarter, more than offsetting the lower oil volumes (down 9%). For the nine months ended September 30, 2021, recovered oil revenues increased 26% to \$644,089 from \$511,583 for the nine months ended September 30, 2020, as the realised net oil price increased 75% to \$53.89 per barrel. However, the decrease in fluid disposal volumes has resulted in total Q3 2021 revenues for the Ross SWD decreasing to \$382,751, down 3% from \$396,011 in Q3 2020.

For the nine months ended September 30, 2021, total revenues decreased 37% to \$1,023,682 from \$1,617,126 in the nine months ended September 30, 2020 mainly due to the lower fluid disposal volumes (down 69%) which more than offset the improved flowback and oil revenues for this facility. Water disposal pricing at the Ross SWD has not been reduced, while flowback pricing has decreased 10% due to competitive pressures.

Operating Costs:

With the lower disposal volumes, minimizing fixed costs to the extent possible continues to be a focus at this facility. Labour costs have been significantly reduced as the facility went to unmanned operations in April 2021. Even though the current quarter included tank clean out costs of \$63,000, a one in three-year event, operating costs for the three months ended September 30, 2021 decreased 39% to \$211,059 from \$345,400 in Q3 2020. For the nine months ended September 30, 2021, operating costs decreased 49% to \$566,873 from \$1,106,180 in the prior year comparable nine-month period.

Alexander Class 1 Facility

		Alexander Facility (Amounts in USD except volumes)					
		Q3 2021	Q3 2020	Change	YTD 2021	YTD 2020	Change
Class 1 Water-Trucked	b/d	0	148	-100%	6	331	-98%
Total Fluids Disposed	b/d	0	148	-100%	6	331	-98%
Class 1 Water	b/qtr. yr.	0	13,583	-100%	1,703	90,804	-98%
Revenue:							
Class 1 Water		\$0	\$61,068	-100%	\$10,078	\$399,579	-97%
Price for Class 1 Water		0.00	4.50	-100%	5.92	4.40	34%
Total Revenue		0	61,068	-100%	10,078	399,579	-97%
Total Revenue/bbl.		0.00	4.50	-100%	5.92	4.40	34%
Operating Expenses		54,187	80,990	-33%	163,896	558,478	-71%
Operating Income (Loss)		\$ (54,187)	\$ (19,922)	172%	\$ (153,818)	\$ (158,899)	3%

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

The Alexander Class 1 facility resumed operations in October 2021 after a being temporarily shut down in April 2021 due to receipt of contaminated wastewater that did not meet permit conditions. White Owl and the customer have developed a solution with the regulator which will result in the disposal of the contaminated material in Q4 2021.

Volumes

With the resumption of operations in October 2021, White Owl anticipates low volumes for the remainder of the year. Previously higher volumes into the site have been from landfill leachate but the continuing drought in North Dakota and the onset of winter has essentially eliminated any landfill leachate volumes, at least for the near-term. There will be short-term volume increases from pipeline test water but, to date, there has only been small volumes of this waste stream identified.



Operating Loss:

For the three and nine months ended September 30, 2021, the Alexander facility recorded operating losses of \$54,187 and \$153,818, respectively, compared to operating losses of \$19,922 and \$158,899 for the three and nine months ended September 30, 2020, respectively. The operating losses for the 2021 three and nine-month periods were a result of the temporary shut-in of the facility. The operating losses for the three and nine months ended September 30, 2020, were due to well workover costs of \$282,000.

Tioga SWD JV

Tioga (Volumes 100%, dollar amounts at 47% in USD)							
		Q3 2021	Q3 2020	Change	YTD 2021	YTD 2020	Change
Production Water-Trucked	b/d	2,686	4,738	-43%	2,446	6,459	-62%
Production Water-Piped	b/d	0	7,030	-100%	0	7,179	-100%
Flowback	b/d	220	1	16209%	314	22	1301%
Total Fluids Disposed	b/d	2,905	11,769	-75%	2,760	13,660	-80%
Oil Sales	b/qtr. yr.	2,477	232	968%	7,316	4,507	62%
Revenue:							
Production Water - Trucked		\$58,307	\$106,525	-45%	\$156,711	\$455,015	-66%
Price for Prodn. Water-Trucked/bbl		0.50	0.52	-3%	0.50	0.55	-9%
Production Water - Piped		0	158,057	-100%	0	482,680	-100%
Price for Prodn. Water Piped/bbl		0.00	0.52	-100%	0.00	0.52	-100%
Flowback		11,727	73	15894%	49,466	4,049	1122%
Price for Flowback/bbl		1.23	1.26	-2%	1.23	1.40	-12%
Recovered Oil		71,100	3,492	1936%	192,419	69,646	176%
Price for Oil/bbl		61.07	32.03	91%	55.96	32.88	70%
			0		0	0	
Total Revenue		\$141,134	268,148	-47%	398,596	1,011,389	-61%
Total Revenue/bbl.		1.12	0.53	113%	1.13	0.57	96%
Operating Expenses		121,538	181,134	-33%	264,264	608,282	-57%
Operating Income		\$19,596	\$87,013	-77%	\$134,333	\$403,107	-67%

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 nine months ended September 30, 2021.



Operating Income:

For the three and nine months ended September 30, 2021, the Tioga SWD JV facility recorded operating income of \$19,596 and \$134,333, respectively, compared to operating income of \$87,013 and \$403,107 for the three and nine months ended September 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 under “*Volumes*” below.

Volumes:

Market conditions and the commissioning of the pipeline connected customer’s own SWD in September 2020 have led to lower fluid disposal volumes in 2021. As a result, for the three and nine months ended September 30, 2021, fluid disposal volumes averaged 2,905 bpd and 2,760 bpd, respectively, compared to 11,769 bpd and 13,660 bpd for the three and nine months ended September 30, 2020, respectively.

In Q3 2021 and continuing into the fourth quarter, an area customer has commenced completion of its DUC inventory which increased flowback volumes in the current quarter and which is expected to increase water disposal volumes later in the year and into 2022. For the three and nine months ended September 30, 2021, flowback disposal volumes increased to 220 bpd and 314 bpd, respectively, from negligible volumes in the comparable 2020 periods.

In Q3 2021, recovered oil volumes increased ten-fold to 2,477 barrels from 232 barrels in Q3 2020 due to the increased flowback volumes, although total fluid disposal volumes were significantly lower (down 75%) than the prior year quarter. For the nine months ended September 30, 2021, recovered oil volumes increased 62% to 7,316 barrels from 4,507 barrels even though total fluid disposal volumes decreased 80% compared to the comparable 2020 nine-month period.

Revenues and Pricing:

The ten-fold increase in recovered oil volumes combined with a 91% increase in the realized net oil price to US \$61.07 per barrel resulted in recovered oil revenues increasing twenty-fold to \$71,100 in Q3 2021 compared to \$3,492 in Q3 2020. For the nine months ended September 30, 2021, the 62% increase in recovered oil volumes combined with a 70% increase in the realized net oil price resulted in recovered oil revenues increasing 176% to \$192,419 from \$69,646 in the nine months ended September 30, 2020.

The material increase in flowback disposal volumes combined with a 12% price decline year over year also resulted in a significant increase in flowback revenues to \$11,727 and \$49,466 for the three and nine months ended September 30, 2021, respectively, compared to \$73 and \$4,049 in the 2020 three and nine-month periods, respectively.



Despite the increase in recovered oil and flowback disposal revenues and oil pricing, there was a significant decrease in water disposal volumes which were down 75% and 80% for the three and nine months ended September 30, 2021, respectively, compared to the 2020 comparable periods as explained above. In addition, pricing for water and flowback decreased 9% and 12%, respectively, due to competitive pressures.

These factors combined to result in total revenues for the Tioga SWD facility decreasing 47% to \$141,134 and 61% to \$398,596 from \$268,148 and \$1,011,389 for the three and nine months ended September 30, 2020, respectively.

Operating Costs:

In the third 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. Even though the current quarter included well workover costs of \$43,000 (net to White Owl), a one in five year event, operating costs for the three months ended September 30, 2021 decreased 33% to \$121,538 from \$181,134 in Q3 2020. For the nine months ended September 30, 2021, operating costs decreased 57% to \$264,264 from \$608,282 in the prior year comparable nine-month period.

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Epping SWD JV

Epping (Volumes 100%, Dollar amounts at 32.5% Working Interest in USD)

		Q3 2021	Q3 2020	Change	YTD 2021	YTD 2020	Change
Production Water-Trucked	b/d	1,130	483	134%	1,058	755	40%
Production Water-Piped	b/d	4,663	5,905	-21%	4,419	5,978	-26%
Flowback	b/d	57	0	100%	104	0	100%
Total Fluids Disposed	b/d	5,849	6,388	-8%	5,582	6,732	-17%
Oil Sales	b/qtr. yr.	192	0	100%	1,080	1,855	-42%
Revenue:							
Production Water-Trucked		\$18,156	\$7,898	130%	\$50,920	\$39,732	28%
Price for Production Water/bbl		0.54	0.55	-2%	0.54	0.59	-8%
Production Water-Piped		72,506	91,806	-21%	203,900	288,657	-29%
Price for Production Water/bbl		0.52	0.52	0%	0.52	0.54	-4%
Flowback		2,134	3	81988%	11,901	3	457638%
Price for Flowback/bbl		1.26	1.29	-3%	1.29	0.52	148%
Recovered Oil		3,696	0	100%	18,435	19,122	-4%
Price for Oil/bbl		59.23	0.00	100%	52.52	31.72	66%
Other Income		0	0	100%	0	650	-100%
Total Revenue		96,492	99,706	-3%	285,157	348,164	-18%
Total Revenue/bbl.		0.55	0.52	6%	0.58	0.58	-1%
Operating Expenses		67,467	77,315	-13%	200,121	272,737	-27%
Operating Income		\$ 29,025	\$22,392	30%	\$85,036	\$75,427	13%

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 nine months ended September 30, 2021. In previous quarters, there were improvements in tank level monitoring to help reduce spills and sump pumps were upgraded to improve electrical safety.

Operating Income:

For the three months ended September 30, 2021, operating income increased 30% to \$29,025 from \$22,392 in Q3 2020, while for the nine months ended September 30, 2021, operating income increased 13% to \$85,036 from \$75,427 for the nine months ended September 30, 2020.



Volumes:

Volumes at the Epping JV are limited by the 7,000 bpd capacity of the injection well. Currently, the White Owl pipeline agreement with Hess Corporation (“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 resulted in stable volume levels for this facility in the year to date.

Total fluid disposal volumes averaged 5,849 bpd and 5,582 bpd for the three and nine months ended September 30, 2021, respectively, down 8% and 17% from 6,388 bpd and 6,732 bpd, respectively, in the comparable 2020 three and nine-month periods. The decrease from prior year levels is mainly due to market conditions. In the three and nine months ended September 30, 2021, 80% and 79%, respectively, of fluid volumes were received by pipeline, compared to 92% and 89% in the three and nine months ended September 30, 2020, respectively.

Recovered oil revenues are generally not a major portion of total revenues at this facility mainly due to the higher proportion of pipeline volumes which have less oil content. In Q3 2021, recovered oil volumes increased to 192 barrels from nil barrels in Q3 2020 and decreased to 1,080 barrels for the nine months ended September 30, 2021 from 1,855 barrels for the nine months ended September 30, 2020.

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 \$96,492 in Q3 2021, down 3% from \$99,706 in Q3 2020. For the nine months ended September 30, 2021, total revenues decreased 18% to \$285,157 from \$348,164 in the nine months ended September 30, 2020.

For the nine months ended September 30, 2021, recovered oil revenues remained flat at \$18,435 compared to \$19,122 for the comparable 2020 nine-month period as the increased oil price (up 66%) offset the lower oil volumes.

Operating Costs:

The site has relatively low variable operating costs because it is new and efficiently designed. In the case of fixed operating costs, 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 in response to the lower disposal volumes. As a result, operating costs decreased 13% to \$67,467 in Q3 2021 from \$77,315 in Q3 2020 and decreased 27% to \$200,121 for the nine months ended September 30, 2021 from \$272,737 for the nine months ended September 30, 2020.



Canada - Clairmont Terminal

Environmental and Safety

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

Operating Results

The Clairmont Terminal ("Clairmont Terminal" or "facility") was restarted in January 2021 following a nine-month shut-in period during which operations were suspended due to economic conditions. As mentioned previously, the facility immediately began accepting wastewater for disposal and, in June 2021, the facility began accepting oil volumes for processing and blending following construction and commissioning of the Butane Blend Facility ("Blend Skid") which was fully funded by Pivotal.

Pivotal, who have marketing and transportation responsibility for sourcing oil volumes for the facility, is continuing to develop the business and as a result the Clairmont Terminal operated at about 30% of capacity in Q3 2021. This capacity utilization level is not sufficient to earn positive operating income and has been compounded by low pricing for services. Currently, the supply of midstream services exceeds the demand in the Grande Prairie, Alberta region where the facility is located, with a return to a more balanced supply/demand position expected once oilfield activity increases.

As a result, pricing for services is very competitive which requires discounted prices to attract oil volumes to the facility. In the case of wastewater disposal, pricing is also competitive, but this business line shows greater profitability at current prices than for terminaling and blending of oil volumes. However, the water disposal volumes currently received are 50% of well capacity and are expected to remain at this level until drilling and completion activity in the area increases.

In Q3 2021, the pricing and capacity utilization challenges resulted in operating losses for the Clairmont Terminal, including the costs of the shut-in oilfield, totaling \$233,000, compared to operating losses of \$144,000 in Q3 2020 when the Terminal was shut-in for the nine-month period. For the nine months ended September 30, 2021, operating losses, including the costs of the shut-in oilfield, total \$767,000 compared to \$707,000 for the 2020 comparable nine-month period. These losses are anticipated to be reduced significantly as Pivotal builds the business in 2022.

Following commissioning of the Butane Blend Skid and completion of the disposal well in Q2 2021, White Owl forecasts that business will slowly increase as the customer base grows. Oil and gas activity in the area is expected to improve as Montney development increases to meet Kitimat LNG project natural gas demand.



Well Abandonments

In Q3 2021, White Owl abandoned three shut-in oil wells with funding approved by the Government of Alberta's federally funded Site Rehabilitation Program ("SRP"). This brings the total number of abandonments to date to four wells. 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 19 shut-in wells. Additional SRP funding to partially fund a portion of the remaining shut-in oil wells, has been applied for. White Owl also contemplates deploying some of the future operating cash flow toward well abandonments.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

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 improve the efficiency of energy usage while safety of operations is a focus throughout the organisation. The abandonment of three shut-in oil wells at the Clairmont facility in the third quarter of 2021 was a major accomplishment toward stated ESG goals.

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. White Owl staff in North Dakota are involved in local charity activities and participate in professional organisations.

OUTLOOK

Industry Overview

The recent October EIA report indicates that U.S. crude oil production averaged an estimated 11.4 million bpd in October, up from 10.7 million bpd in September as a result of production increases following disruptions from Hurricane Ida. The forecast is for production to rise to 11.6 million bpd in December with the annual production averaging 11.1 million bpd in 2021, increasing to 11.9 million bpd in 2022 as tight oil production from the Permian and Bakken and the other tight oil basins rises. Growth is anticipated to come largely as a result of onshore shale operators increasing rig counts in all shale basins including the Bakken, which is expected to offset production decline rates.



These macro forces are pointing to a recovery in oilfield processing and services in both North Dakota and Alberta for 2022 as the 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 has resulted in global commodity prices demonstrating an upward trend since the beginning of 2021, with the benchmark price of West Texas Intermediate ("WTI") averaging US\$58 in Q1 2021, US\$66 in Q2 2021, US\$70 in Q3 2021 and averaging US\$81 in October 2021.

Canadian Activity

Despite strengthening climate change policies at a federal level, oil and gas producers are slowly increasing activity and the services industry in Canada is anticipated to recover, with both crude oil and natural gas prices forecast to remain strong. Stable and stronger commodity prices should allow White Owl to gain pricing power and charge higher prices for processing and disposal services. The primary focus of our Canadian business is the Clairmont midstream facility. Here we anticipate growing volumes, increased water disposal and the elimination of the current operating losses with a return to profitability at this facility as industry activity improves. The Butane Blend Skid has been running for five months and the marketing partner is working to increase plant throughput at higher processing and disposal 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. Once customers are confident that the White Owl Clairmont facility will remain in service this situation should result in customers seeking a reliable processing and disposal alternative.

US Activity

North Dakota represents over 90 percent of company-wide revenue year-to-date, and drilling and completion activity is expected to continue to improve throughout the fourth quarter of 2021 with a substantial pickup in 2022. North Dakota's rig count currently stands at 32, up from 23 rigs reported in the Corporation's Q2 2021 financial reports, and NDIC Director Lynn Helms continues to cautiously forecast further increases in the rig count next year. Private equity backed producers who are not concerned about share price, are playing a larger role in the drilling recovery in North Dakota, led by in particular Grayson Mills who recently acquired the Equinor assets and are seeking disposal options in areas where White Owl operates.

During 2021 there has been substantial completion activity by most of the larger producers who have been completing their remaining drilled and uncompleted wells (DUCS). This has resulted in Williston Basin



production growing marginally to 1.2 million barrels per day and 2.9 BCF per day of gas in October 2021. Despite being under pressure to return capital to shareholders, most producers will need to drill new wells to maintain production in 2022 as the DUC inventory has declined substantially. This anticipated activity will lead to higher volumes of flowback fluids, produced water and recovered oil at White Owl's Class 2 disposal facilities. The forecast higher commodity prices for 2022 should be reflected in improving financial results for White Owl as the year progresses.

Strategic Review

As previously announced, during Q4 2020 White Owl's senior lender advised that they could no longer provide financing to the Corporation and management was asked to 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. We are pleased to report that on October 18, 2021, the Company entered into an agreement with a new senior lender for a US\$7,700,000 term loan to facilitate the repayment of the Term Loan due December 31, 2021, to its existing lender and for working capital growth. In addition, on October 18, 2021, the Company entered into a new US\$1,000,000 demand operating loan agreement with an additional lender which will replace the Company's existing Operating Loan. The Company expects the new banking arrangements to be in place in Q4 2021, including the full repayment of the outstanding bank debt to the existing lender, after all conditions precedent have been met.

Following closing of the new banking arrangement, scheduled for December 2021, the Committee and the Company's board of directors will be assessing the current state of the business and considering further strategic options that may be available to the Company.

Government Support Programs

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. 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). These government support programs have been a "life saver" allowing us to retain most of our key people.

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.



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

Sincerely,

On behalf of the Board of Directors,

Owen Pinnell, P.Eng.

President and CEO



Cautionary Statements:

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

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

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

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

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

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

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