March 24, 2022

REPORT TO OUR SHAREHOLDERS

To Our Shareholders,

We are pleased to provide you with the Audited Consolidated Financial Statements and Management's Discussion of Financial Results of White Owl Energy Services Inc.("White Owl" or "the Corporation" or "the Company") for the three and twelve months ended December 31, 2021.

FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2021 HIGHLIGHTS

Highlights for the three months and twelve months ended December 31, 2021, for both North Dakota and Alberta are summarized as follows:

- On December 23, 2021, the Company replaced its demand term loan with long-term debt arranged with a new senior lender. The new long-term debt of US$7,700,000 was used to payout the demand term loan with its existing lender and to provide growth working capital. In addition, the Company concurrently entered into a US$1,000,000 demand operating loan agreement with a second lender replacing the Company's existing operating loan.
- Q4 2021 EBITDA increased more than three-fold to $646,000 from $195,000 in Q4 2020, after deducting one-time waste disposal costs of $196,000 related to the Alexander facility. Therefore, adjusted EBITDA for Q4 2021 is $842,000. The current quarter's EBITDA of $646,000 is up 67% over Q3 2021's EBITDA of $387,000. The improved EBITDA from 2020 is mainly due to increased recovered oil volumes, a doubling of oil prices and higher flowback volumes.
- Recovered oil volumes reached a 2021 quarterly record of 15,384 barrels in Q4 2021, up 14% from 13,472 barrels in Q4 2020 even though fluid disposal volumes decreased 7% over the same periods mainly due to the diversion of production water by area producers to fracking activity.
- In the three and twelve months ended December 31, 2021, recovered oil revenues increased 124% to $1,319,000 and 82% to $3,727,000, respectively, from $588,000 and $2,046,000, in the comparative 2020 periods, respectively.

- In Q4 2021, producer activity continued to improve in North Dakota, with the drilling rig count closing the year at 35 compared to 31 rigs at the beginning of the current quarter and 27 rigs a year ago. The increased drilling and completion activity has led to higher flowback and recovered oil volumes for the Company. Flowback volumes are richer in oil than production water and averaged 1,185 barrels per day ("bpd") in Q4 2021 compared to 466 bpd in Q4 2020.

- The average realized net oil price ("netback") received for White Owl's recovered oil volumes has increased every quarter over the past five quarters in line with the increase in West Texas Intermediate ("WTI") prices, reaching an average netback of US$68.12 per barrel in Q4 2021, more than double the US$33.60 per barrel in Q4 2020.

- In October 2021, the Alexander Class 1 water disposal facility was reopened after a six-month closure due to a customer delivering hazardous waste to the facility, as previously reported. In December 2021, disposal of the contaminated material was completed. Since reopening, volumes received at this facility have been negligible due to ongoing drought conditions in the region.

- The abandonment of three shut-in oil wells in the oilfield adjacent to the Clairmont facility in 2021 was a significant accomplishment toward White Owl's Environmental Social Governance goals, with funding provided by the Government of Alberta's federally funded Site Rehabilitation Program. An additional two well abandonments are planned for 2022.

- At the Clairmont facility in Alberta, volume levels have averaged about 30% of facility capacity since the commissioning of the Butane blend facility ("Blend Skid") in the second quarter, mainly due to a slower than anticipated recovery in oilfield activity in the region.

- In 2021, White Owl received US$484,733 under two US federally funded government assistance programs: (i) US$81,850 under the Employee Retention Credit Program which ended effective September 30, 2021, and (ii) a second loan of US$402,883 under the Paycheck Protection Program which has also been discontinued. White Owl expects to receive forgiveness of this loan in 2022.

- In 2021, White Owl received $138,111 under two Canadian government assistance programs comprising $109,868 under the Canadian Emergency Wage Subsidy ("CEWS") program and $28,243 under the Canadian Emergency Rent Subsidy ("CERS") program. Both programs were discontinued in Q4 2021.

White Owl ENERGY SERVICES INC.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

($000's, unless otherwise noted)	Three months ended December 31, 2021	2020	%	Twelve months ended December 31, 2021	2020	%
North Dakota operations						
Disposal volumes (Bbls)	**2,342,576**	2,530,202	-7%	**9,479,261**	13,106,933	-28%
Recovered oil sales volumes (Bbls)	**15,383**	13,472	14%	**50,447**	48,490	4%
Disposal revenue ($ per Bbl)	**$0.77**	$0.67	14%	**$0.66**	$0.74	-11%
Oil sales revenue ($ per Bbl)	**$85.78**	$43.68	96%	**$73.88**	$42.19	75%
Operating costs and royalties ($ per Bbl)	**$0.75**	$0.65	16%	**$0.63**	$0.65	-3%
North Dakota disposal and services revenue						
Disposal revenue	**$1,795**	$1,708	5%	**$6,211**	$9,701	-36%
Oil sales revenue	**1,319**	588	124%	**3,727**	2,046	82%
Other revenue	**71**	69	3%	**267**	355	-25%
Total revenue – North Dakota	**3,185**	2,365	35%	**10,205**	12,102	-16%
Operating costs	**(1,766)**	(1,646)	7%	**(5,995)**	(8,542)	-30%
Operating income – North Dakota(1)	**$1,419**	$719	97%	**$4,210**	$3,560	18%
Alberta operations						
Volumes (Bbls)						
Disposal and third-party processing	**92,082**	9,728	847%	**246,574**	90,942	171%
Revenue						
Disposal and third-party processing	**$86**	$16	438%	**$364**	$138	164%
Oil and gas sales	**-**	-	**-**	**1**	1	-
Total revenue - Alberta	**86**	16	438%	**365**	139	163%
Operating costs	**(390)**	(197)	98%	**(1,435)**	(1,026)	40%
Operating loss - Alberta(1)	**($304)**	($181)	68%	**($1,070)**	($887)	21%
Combined operations						
Oilfield disposal and processing revenue	**$3,200**	$2,311	38%	**$10,302**	$11,885	-13%
Oil and gas sales	**-**	-	**-**	**1**	1	-
Other revenue	**71**	69	3%	**267**	355	-25%
Total revenue	**3,271**	2,380	37%	**10,570**	12,241	-14%
Operating costs	**(2,156)**	(1,843)	17%	**(7,430)**	(9,568)	-22%
Operating income(1)	**1,115**	537	108%	**3,140**	2,673	17%
General and administrative expenses ("G&A")	**(469)**	(342)	37%	**(1.513)**	(1,574)	-4%
EBITDA (1)	**$646**	$195	231%	**$1,627**	$1,099	48%
Other income and expenses						
Depreciation and depletion	**(462)**	(458)	1%	**(1,735)**	(1,849)	-6%
Amortization	**(14)**	(15)	-7%	**(59)**	(64)	-8%
Impairment	**-**	-	-	**-**	(12,360)	-100%
Finance costs	**(193)**	(216)	-11%	**(756)**	(795)	-5%
Share-based payments	**(12)**	(24)	-50%	**(82)**	(36)	128%
Foreign exchange (losses) gains	**22**	380	-94%	**(70)**	256	-127%
Gain on settlement of promissory notes	**-**	-	-	**-**	1,100	-100%
Gain on disposal of property, plant and equipment - net	**(4)**	-	100%	**401**	(46)	972%
Gain on loan payable forgiveness	**-**	-	-	**455**	-	100%
Gain on modifications of lease liabilities	**-**	-	-	**12**	-	100%
Gain on abandonment	**1**	-	100%	**1**	-	100%
Government abandonment grant in-kind	**152**	-	100%	**152**	-	100%
Income tax expense	**(1)**	-	100%	**(1)**	(5)	-80%
Deferred income tax recovery	**-**	-	-	**-**	105	-100%
Net income (loss)	**$135**	($138)	198%	**(55)**	($12,595)	-100%

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

Among the highlights for the three and twelve months ended December 31, 2021, were strong recovered oil volumes (despite lower oilfield activity during the past two years) which combined with a much-improved oil price resulted in significantly higher oil revenues. Year over year, recovered oil revenues increased 82% to $3,727,000 from $2,046,000. Lower operating costs at White Owl's North Dakota facilities (please see **North Dakota** below for discussion on volumes, pricing and operating costs) also contributed to the improved financial results. As a result, Q4 2021 EBITDA increased more than three-fold to $646,000 from $195,000 in Q4 2020 even after incurring $196,000 in the current quarter for costs related to Alexander hazardous waste disposal (please see **Alexander Class 1 Facility** on Page 14). For the twelve months ended December 31, 2021, EBITDA increased 48% to $1,627,000 from $1,099,000 in the year ended December 31, 2020.

Total combined revenue from North Dakota and Alberta increased 37% to $3,271,000 in Q4 2021 from $2,380,000 in Q4 2020, with the increase mainly due to increased North Dakota recovered oil volumes (up 14%) and a higher realized net oil price (up 96%). For the twelve months ended December 31, 2021, total combined revenue decreased 14% to $10,570,000 from $12,241,000 in the prior year which included higher, pre-COVID disposal volumes and revenues for the first quarter of 2020.

To lessen the financial impact from lower volumes and revenues at all locations, White Owl implemented cost cutting measures in Q2 2020 resulting in a 22% reduction in combined operating costs for the year ended December 31, 2021, compared to the prior year. Q4 2021 combined operating costs increased 17% to $2,156,000 from $1,843,000 due to Alexander facility waste disposal costs and increased operating costs at the Clairmont facility which was recommissioned in Q2 2021 after a one-year shut-down due to market conditions.

North Dakota

Operating Income:

For the three months ended December 31, 2021, operating income doubled to $1,419,000 from $719,000 in Q4 2020 due to higher recovered oil revenues (up 124%) while water disposal revenues increased 5% and operating costs were up 7% between the periods. In the current quarter, the New Town, Watford City and Ross SWD facilities accounted for 39%, 22% and 24%, respectively, of North Dakota operating income, which is relatively consistent with 39%, 28% and 22%, respectively, for the year ended December 31, 2021.

For the twelve months ended December 31, 2021, operating income increased 18% to $4,210,000 from $3,560,000 in the prior year. The current year's operating income benefited from a strong fourth quarter due to the previously mentioned increased recovered oil volumes and higher oil prices while the 2020 year included stronger pre-COVID volumes and revenues for the first quarter.

Volumes:

North Dakota fluid disposal volumes decreased 7% to average 25,446 bpd in Q4 2021 from 27,312 bpd in Q4 2020. Throughout the year ended December 31, 2021, fluid disposal volumes have ranged from 24,000 bpd to 28,000 bpd on a quarterly basis, which is down from an average of 35,500 bpd for the year ended December 31, 2020. One factor for the lower fluid disposal volumes in 2021 is that the prior year disposal volumes decreased from a pre-COVID level of 47,414 in Q1 2020 to 27,312 bpd in Q4 2020, at which level disposal volumes have approximated throughout 2021. Other factors impacting 2021 disposal volumes include natural production declines and the ongoing diversion of production water by area producers to fracking activities, especially adjacent to the New Town and Watford SWD facilities. This has had the effect of reducing disposal volumes, however plant volumes are forecast to increase during 2022 as producers return to more active drilling and completion programs (please see **OPERATING LOCATIONS** on Page 8).

Flowback volumes which contain higher concentrations of oil, increased at the New Town, Ross, Watford City and Tioga SWD facilities and have more than tripled over the course of the current year from 362 bpd in Q1 2021 to 1,185 bpd in Q4 2021 due to increased completion activity. For the twelve months ended December 31, 2021, flowback disposal volumes increased 53% to 976 bpd from 636 bpd in 2020.

During Q4 2021, recovered oil volumes were strong, increasing 14% to 15,384 barrels from 13,472 barrels in Q4 2020, during a period when production fluid volumes for the quarter decreased by 7%. Oil volumes increased because of higher flowback volumes and initial production water volumes which have higher oil content. The New Town and Ross SWD facilities combined to account for 68% of recovered oil volumes sold in Q4 2021, compared to 80% in Q4 2020.

For the twelve months ended December 31, 2021, recovered oil volumes increased 4% to 50,447 barrels from 48,490 barrels for 2020 even though total fluid disposal volumes decreased 28% year over year. The New Town and Ross SWD facilities combined accounted for 67% of oil volumes sold in 2020, compared to 73% in the prior year.

The Alexander Class 1 facility resumed operations in October 2021 following a shut-down period that extended from April 2021 due to receipt of hazardous wastewater. (Please see **OPERATING LOCATIONS** below on Page 8).

Revenue and Pricing:

In Q4 2021, higher oil pricing and recovered oil volumes led to oil revenues increasing 124% to $1,319,000 in Q4 2021 from $588,000 in Q4 2020. For the twelve months ended December 31, 2021, recovered oil revenues increased 82% to $3,727,000 from $2,046,000 for the twelve months ended December 31, 2020, due to a higher realised net oil price (up 75%) combined with a 4% increase in oil volumes sold year over year.

White Owl's average monthly realised net oil price is determined as WTI average oil price for the month less deductions for the Bakken differential (US$0.37 for Q4 2021), trucking costs and taxes. In Q4 2021, the realised net oil price increased 96% to CAD$85.78 per barrel from CAD$43.68 per barrel in Q4 2020, while for the twelve months ended December 31, 2021, the realised net oil price increased 75% to CAD$73.88 per barrel compared to CAD$42.19 per barrel for the twelve months ended December 31, 2020

Fluid disposal revenues increased 5% to $1,795,000 in Q4 2021 from $1,708,000 in Q4 2020, with the current quarter including $304,000 in compensation received from Hess Corporation who was drilling wells nearby and required the Tioga facility to be temporarily shut-in during the drilling process. This facility returned to operating status in December 2021. For the twelve months ended December 31, 2021, fluid disposal revenues decreased 36% to $6,211,000 from $9,701,000 for the twelve months ended December 31, 2020, mainly in response to the production shut-ins and reduced drilling and completion activity brought about by the COVID pandemic. Also compounding the downward pressure on fluid disposal revenues was reduced pricing due to competitive pressures, resulting in pricing decreases of 5% year over year.

Other revenue which includes recoveries from joint venture operations remained relatively flat at $71,000 in Q4 2021 compared to $69,000 in Q4 2020 and decreased 25% to $267,000 for the twelve months ended December 31, 2021 from $355,000 for the prior year. The year over year 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 decreased 30% to $5,995,000 for the twelve months ended December 31, 2021, from $8,542,000 for the prior year. 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. In addition, 2021 labour costs were reduced by amounts received under the US federally funded Employee Retention Credit Program which was discontinued in Q3 2021. As a result, North Dakota labour costs decreased 22% for the twelve months ended December 31, 2021, compared to pre-COVID labour costs.

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 wastewater 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.

Since the Butane Blend facility was commissioned at the end of Q2 2021, emulsion treating volumes have averaged about 30% of plant capacity. It is anticipated to take most of 2022 to increase volumes to near capacity levels as the recovery in area drilling and completion activity has been slower than anticipated. Pivotal has marketing and transportation responsibility for sourcing oil volumes for the plant and will be continuing to develop the business in 2022.

The current capacity utilization level is not sufficient to earn positive operating income and as a result, in Q4 2021, operating losses for the Clairmont Terminal, including the ongoing fixed costs related to the shut-in oilfield, totaled \$304,000, compared to operating losses of \$181,000 in Q4 2020 when the Terminal was shut in. For the twelve months ended December 31, 2021, Clairmont operating losses totaled \$1,070,000 compared to \$887,000 for the twelve months ended December 31, 2020.

Please see **Canada - Clairmont Terminal** on Page 19 for additional information.

Remainder of Page Intentionally Left Blank

OPERATING LOCATIONS (dollar amounts in USD except Clairmont):

New Town SWD

New Town Facility (amounts in USD except volumes)								
		Q4 2021	Q4 2020	Change	YTD 2021	YTD 2020	Change
Production Water - Trucked	b/d	11,148	10,054	*11%*	12,102	11,679	*4%*
Flowback	b/d	31	89	*-65%*	38	385	*-90%*
Total Fluids Disposed	b/d	11,179	10,142	*10%*	12,140	12,064	*1%*
Oil Sales	b/qtr, yr	6,794	2,590	*162%*	18,019	10,787	*67%*
Revenue:							
Production Water - Trucked		$480,409	$438,519	*10%*	$2,061,954	$2,153,548	*-4%*
Price for Production Water/bbl		0.47	0.47	*-1%*	0.47	0.50	*-7%*
Flowback		2,838	8,177	*-65%*	13,782	169,596	*-92%*
Price for Flowback/bbl		1.00	1.00	*0%*	1.00	1.20	*-17%*
Recovered Oil		463,795	87,473	*430%*	1,084,955	342,274	*217%*
Price for Oil/bbl		68.27	33.77	*102%*	60.21	31.73	*90%*
Total Revenue		947,042	534,169	*77%*	3,160,691	2,665,418	*19%*
Total Revenue/bbl.		$0.92	$0.57	*61%*	$0.71	$0.60	*18%*
Operating Expenses		506,657	438,968	*15%*	1,855,464	2,032,923	*-9%*
Operating Income		$440,385	$95,201	*363%*	$1,305,227	$632,495	*106%*

Environmental and Safety:

There were no spills at the site in the fourth quarter. In the third quarter of 2021, there were minor spills of less than one barrel each at this facility 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 $440,385 in Q4 2021 from $95,201 in Q4 2020 mainly due to higher recovered oil volumes sold and increased oil pricing, as discussed below. These increases reflect improving market conditions as customers slowly get back in the field and pursue completion programs.

Similarly, for the twelve months ended December 31, 2021, operating income doubled to $1,305,227 from $632,495 for the twelve months ended December 31, 2020.

Volumes:

In Q4 2021, fluid disposal volumes varied between 9,000 and 14,000 bpd as two the main customers diverted production water to their well completion programs. In Q4 2021, fluid disposal volumes increased 10% to 11,179 bpd from 10,142 bpd in Q4 2020, while year over year fluid disposal volumes remained flat at 12,140 bpd.

The New Town SWD has the highest oil recovery and sales of any White Owl SWD as field staff are focused on securing flowback and initial production water volumes which are higher in oil content. As a result, recovered oil volumes increased 162% to 6,794 barrels in Q4 2021 from 2,590 barrels in Q4 2020. For the twelve months ended December 31, 2021, recovered oil volumes increased 67% to 18,019 barrels from 10,787 barrels for the twelve months ended December 31, 2020.

Revenues and Pricing:

In Q4 2021, the improved recovered oil volumes combined with the higher oil pricing resulted in a 77% increase in revenues to $947,042 from $534,169 in Q4 2020. Recovered oil revenues increased more than five-fold in Q4 2021 over Q4 2020 due to the higher volumes (up 162%) and the increased oil price (up 102%). Fluid disposal revenues for Q4 2021 increased 10% over Q4 2020, matching the volume increase while pricing remained flat.

For the twelve months ended December 31, 2021, total revenues increased 19% to $3,160,691 from $2,665,418 for the prior year, as oil revenues increased three-fold, more than offsetting slightly lower fluid disposal revenues (down 4% year over year).

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. To reduce repairs and maintenance costs, in Q4 2021, a rental horizontal pump replaced the four positive displacement pumps operating at the site. The rental pump has greater capacity and less maintenance than the four positive displacement pumps it replaced and it also has a higher injection capacity.

In Q4 2021, operating costs increased 15% to $506,657 from $438,968 in Q4 2020, approximately matching the increase in fluid disposal volumes over the same periods. For the twelve months ended December 31, 2021, operating costs decreased 9% to $1,855,464 from $2,032,923 for the twelve months ended December 31, 2020, even though fluid disposal volumes remained relatively flat, increasing by only 1% in the 2021 compared to 2020.

Watford City SWD

Watford Facility (amounts in USD except volumes)							
		Q4 2021	Q4 2020	Change	YTD 2021	YTD 2020	Change
Production Water - Trucked	b/d	7,079	7,552	-6%	7,565	7,521	1%
Production Water - Piped	b/d	0	83	-100%	0	1,058	-100%
Flowback	b/d	305	151	101%	390	114	241%
Total Fluids Disposed	b/d	7,384	7,787	-5%	7,955	8,693	-8%
Oil Sales	b/qtr, yr	3,505	2,230	57%	11,601	9,695	20%
Revenue:							
Production Water - Trucked		$296,429	$312,673	-5%	$1,252,039	$1,345,092	-7%
Price for Prodn. Water-Trucked/bbl		0.46	0.45	1%	0.45	0.49	-7%
Production Water - Piped		0	3,671	-100%	0	185,793	-100%
Price for Prodn. Water Piped/bbl		0.00	0.48	-100%	0.00	0.48	-100%
Flowback		28,021	17,450	61%	146,549	61,128	140%
Price for Flowback/bbl		1.00	1.25	-20%	1.03	1.46	-30%
Recovered Oil		234,624	73,249	220%	683,187	306,996	123%
Price for Oil/bbl		66.94	32.85	104%	58.89	31.67	86%
Other Income		0	0	0%	0	0	0%
Total Revenue		559,074	407,043	37%	2,081,775	1,899,009	10%
Total Revenue/bbl.		0.82	0.57	45%	0.72	0.60	20%
Operating Expenses		306,947	277,090	11%	1,140,259	1,227,120	-7%
Operating Income		$252,127	$129,953	94%	$941,516	$671,889	40%

Environmental and Safety:

There were no environmental or safety incidents in the three and twelve months ended December 31, 2021.

Operating Income:

In the three and twelve months ended December 31, 2021, operating income for the Watford City SWD facility increased 94% to $252,127 and 40% to $941,516, respectively, from $129,953 and $671,889, respectively, in the comparative 2020 periods. The main reason for the improved operating income is increased recovered oil volumes combined with the higher oil pricing and increased flowback disposal volumes.

Volumes:

Watford City SWD volumes were steady in Q4 2021, ranging from 6,700 to 7,900 bpd. The site benefits from multiple customers which results in more consistent volumes. Fluid disposal volumes averaged 7,384 bpd and 7,955 bpd for the three and twelve months ended December 31, 2021, respectively. This compares to 7,787 bpd and 8,693 bpd for the three and twelve months ended December 31, 2020. No pipeline water volumes were delivered to the facility in 2021 as Tallgrass Energy, the midstream pipeline operator, is disposing of these volumes at its own saltwater disposal wells which are connected to the same gathering system.

Increased drilling and completion activity in the area has resulted in more flowback disposal volumes which averaged 305 bpd and 390 bpd for the three and twelve months ended December 31, 2021, up substantially from 151 bpd and 114 bpd in the comparable 2020 periods.

The oil rich flowback volumes have boosted recovered oil volumes with 3,505 barrels sold in Q4 2021, an increase of 57% from 2,230 barrels sold in Q4 2020. For the twelve months ended December 31, 2021, recovered oil volumes totaled 11,601 barrels, an increase of 20% from 9,695 barrels in 2020.

Revenues and Pricing:

For the three months ended December 31, 2021, the Watford City SWD facility revenues increased 37% to $559,074 from $407,043 in Q4 2020 as recovered oil revenues tripled and flowback revenues increased 61%. The increase in flowback revenues is entirely due to higher volumes as flowback pricing is down about 30% year over year due to competitive pressures. Production water revenues decreased 5% in Q4 2021 compared to Q4 2020, matching the volume decrease.

For the twelve months ended December 31, 2021, total revenues increased 10% to $2,081,775 compared to $1,899,009 for the 2020 year as higher recovered oil revenues (up 123%) and flowback revenues (up 140%) were offset by lower production water disposal revenues (down 8%) and lower pricing for trucked-in water (down 7%).

Operating Costs:

As there were no pipeline volumes delivered to the facility in 2021, the volumes received were trucked-in, resulting in the requirement for operators to be on site 24 hours per day. For the twelve months ended December 31, 2021, operating costs decreased 7% to $1,140,259 from $1,227,120 in 2020 while fluid disposal volumes decreased 8% year over year. For the three months ended December 31, 2021, operating costs increased 11% to $306,947 from $277,090 in Q4 2020 mainly due to higher labour costs as the facility was manned 24 hours per day in the current quarter versus 12 hours per day in the prior year quarter.

Remainder of Page Intentionally Left Blank

Ross SWD

Ross Facility (amounts in USD except volumes)							
		Q4 2021	Q4 2020	Change	YTD 2021	YTD 2020	Change
Production Water - Trucked	b/d	3,236	5,282	-39%	2,422	7,185	-66%
Flowback	b/d	680	222	207%	370	127	191%
Total Fluids Disposed	b/d	3,916	5,504	-29%	2,792	7,312	-62%
Oil Sales	b/qtr, yr	3,700	8,162	-55%	15,653	24,797	-37%
Revenue:							
Production Water - Trucked		$148,428	$242,973	-39%	$441,483	$1,314,841	-66%
Price for Production Water/bbl		0.50	0.50	0%	0.50	0.50	0%
Flowback		66,389	21,641	207%	147,327	53,916	173%
Price for Flowback/bbl		1.06	1.06	0%	1.09	1.16	-6%
Recovered Oil		250,698	276,338	-9%	894,787	787,921	14%
Price for Oil/bbl		67.76	33.86	100%	57.16	31.78	80%
Other Income		0	4,200	-100%	5,600	5,600	0%
Total Revenue		465,515	545,152	-15%	1,489,197	2,162,278	-31%
Total Revenue/bbl.		1.29	1.08	20%	$1.46	$0.81	81%
Operating Expenses		190,834	299,954	-36%	757,707	1,406,134	-46%
Operating Income (Loss)		$274,681	$245,198	12%	$731,490	$756,144	-3%

Environmental and Safety

There were no environmental or safety incidents in the three and twelve months ended December 31, 2021. Previously implemented safety improvements included upgrading the sump pumps to a higher electrical rating.

Operating Income:

For the three months ended December 31, 2021, operating income at the Ross SWD facility increased 12% to $274,681 from $245,198 in Q4 2020. This increase was mostly due to increased flowback revenues (up three-fold) and significantly lower operating costs (down 36%) which, combined, more than offset the financial impact of lower production water disposal volumes (down 29%).

For the twelve months ended December 31, 2021, operating income decreased 3% to $731,490 from $756,144 for the 2020 year, caused by weak market conditions and the development of a competing producer SWD well as discussed under *"Volumes"* below.

Volumes:

In Q4 2021, Ross SWD volumes varied between 2,700 to 5,600 bpd due to market conditions and the commissioning by Hess Corporation of its own saltwater disposal well in February 2021. These factors resulted in fluid disposal volumes decreasing 29% to 3,916 bpd in Q4 2021from 5,504 bpd in Q4 2020 and decreasing 62% to 2,792 bpd from 7,312 bpd year over year.

The lower fluid disposal volumes led to recovered oil volumes decreasing 55% to 3,700 barrels in Q4 2021 from 8,162 barrels in Q4 2020 and decreasing 37% to 15,653 barrels from 24,797 barrels year over year. Significantly improved oil prices in 2021 mitigated the impact of these lower recovered oil volumes.

Revenues and Pricing:

In Q4 2021, the realised net price for recovered oil doubled to US$67.76 per barrel from US$33.86 in Q4 2020 and increased 80% to US$57.16 from US$31.78 year over year. As a result, recovered oil revenues for the twelve months ended December 31, 2021, increased 14% $894,787 from $787,921 in the 2020 year, while Q4 2021 recovered oil revenues decreased 9% in Q4 2021 to $250,698 from $276,338 in Q4 2020, even though volumes decreased 55% over the same periods. Water disposal pricing at the Ross SWD has not been reduced, while flowback pricing has decreased 6% due to competitive pressures.

Operating Costs:

With the lower disposal volumes, field staff has focussed on minimizing fixed costs at the facility. Labour costs have been significantly reduced as the facility went to unmanned operations in April 2021. We anticipate continuing with unmanned operations in 2022. In Q4 2021, operating costs decreased 36% to $190,834 from $299,954 in Q4 2020. For the twelve months ended December 31, 2021, operating costs decreased 46% to $757,707 from $1,406,134 in the prior year.

Remainder of Page Intentionally Left Blank

Alexander Class 1 Facility

Alexander Facility (Amounts in USD except volumes)								
		Q4 2021	Q4 2020	Change	YTD 2021	YTD 2020	Change
Class 1 Water-Trucked	b/d	17	190	-91%	9	297	-97%
Total Fluids Disposed	b/d	17	190	-91%	9	297	-97%
Class 1 Water	b/qtr. yr	1,580	17,508	-91%	3,283	108,875	-97%
Revenue:							
Class 1 Water		$9,480	$74,678	-87%	$19,558	$474,257	-96%
Price for Class 1 Water		6.00	4.27	41%	5.96	4.36	37%
Total Revenue		9,480	74,678	-87%	19,558	474,257	-96%
Total Revenue/bbl.		6.00	4.27	41%	5.96	4.36	37%
Operating Expenses		223,625	93,647	139%	387,521	652,125	-41%
Operating Income (Loss)		$ (214,145)	$ (18,969)	1029%	$ (367,963)	$ (177,868)	-107%

White Owl's Class 1 water disposal business was established in 2019 and has a customer base which includes 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. In Q4 2021, the hazardous waste stored in temporary storage tanks was removed from the facility and transported to a regulator-approved fuel recycling facility.

Volumes

Since resumption of operations at the Alexander Class 1 Facility, volumes received for disposal have been negligible mainly due to ongoing drought conditions across North Dakota.

Operating Income:

For the three and twelve months ended December 31, 2021, the Alexander facility recorded operating losses of $214,145 and $367,963, respectively, compared to operating losses of $18,969 and $177,868 for the three and twelve months ended December 31, 2020, respectively. The operating losses for the 2021 three and twelve-month periods were a result of the temporary shut-in of the facility and included costs of $156,000 for disposal of the contaminated wastewater, one half of which is recoverable from the customer concerned. The operating losses for the twelve months ended December 31, 2020, included well workover costs of $209,000.

Tioga SWD JV

Tioga (Volumes 100%, dollar amounts at 47% in USD)		Q4 2021	Q4 2020	Change	YTD 2021	YTD 2020	Change
Production Water-Trucked	b/d	1,987	3,892	-49%	2,330	5,833	-60%
Production Water-Piped	b/d	0	0	-100%	0	5,396	-100%
Flowback	b/d	285	9	2977%	307	19	1498%
Total Fluids Disposed	b/d	2,271	3,901	-42%	2,637	11,248	-77%
Oil Sales	b/qtr. yr	2,491	766	225%	9,807	5,273	86%
Revenue:							
Production Water - Trucked		$42,382	$86,868	-51%	$199,093	$541,883	-63%
Price for Prodn. Water-Trucked/bbl		0.49	0.52	-4%	0.50	0.54	-8%
Production Water - Piped		0	2	-100%	0	482,682	-100%
Price for Prodn. Water Piped/bbl		0.00	0.52	-100%	0.00	0.52	-100%
Flowback		15,324	505	2936%	64,790	4,553	1323%
Price for Flowback/bbl		1.24	1.26	-1%	1.23	1.38	-11%
Recovered Oil		83,845	11,477	631%	276,264	81,122	241%
Price for Oil/bbl		71.62	31.88	125%	59.94	32.73	83%
Other		241,110	0	100%	241,110	0	100%
Total Revenue		$382,660	98,851	287%	781,257	1,110,241	-30%
Total Revenue/bbl.		3.90	0.59	565%	1.73	0.57	201%
Operating Expenses		89,139	91,463	-3%	353,402	699,745	-49%
Operating Income		$293,522	$7,389	3873%	$427,854	$410,496	4%

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 twelve months ended December 31, 2021.

Operating Income:

For the three and twelve months ended December 31, 2021, the Tioga SWD JV facility recorded operating income of $293,522 and $427,854, respectively, compared to operating income of $7,389 and $410,496 for the three and twelve months ended December 31, 2020, respectively. Operating income for Q4 2021 included compensation from Hess Corporation, who requested a temporary shut-down of operations to facilitate their drilling activities adjacent to the Tioga SWD (please see *"Volumes"* below).

Volumes:

Market conditions changed during 2021 due to Hess Corporation ("Hess") completing its own SWD in September 2020, leading to lower fluid disposal volumes in 2021. In addition, in Q4 2021, the Tioga SWD was shut in for most of the quarter to allow Hess to conduct drilling operations adjacent to the facility. White Owl was fully compensated by Hess for this temporary suspension in operations. As a result, for the three and twelve months ended December 31, 2021, fluid disposal volumes averaged 2,272 bpd and 2,637 bpd, respectively, compared to 3,901 bpd and 11,248 bpd for the three and twelve months ended December 31, 2020, respectively.

Commencing in the third quarter and continuing into the fourth quarter of 2021 and into 2022, Hess delivered increased flowback volumes, which is expected to lead to increased pipeline water disposal volumes later in 2022. For the three and twelve months ended December 31, 2021, flowback disposal volumes increased to 285 bpd and 307 bpd, respectively, from negligible volumes in the comparable 2020 periods.

In Q4 2021, recovered oil volumes increased three-fold to 2,491 barrels from 766 barrels in Q4 2020 due to the increased flowback volumes, although total fluid disposal volumes were significantly lower (down 42%) than the prior year comparable quarter. For the twelve months ended December 31, 2021, recovered oil volumes increased 86% to 9,807 barrels from 5,273 barrels even though total fluid disposal volumes decreased 77% compared to the comparable 2020 year.

Revenues and Pricing:

In Q4 2021, revenue increased four-fold to $382,660 from $98,851 in Q4 2020 as the current quarter included compensation of $241,000 received for the temporary suspension of operations, as discussed above. For the twelve months ended December 31, 2021, revenue decreased 30% to $781,257 from $1,110,241 in 2020. In 2021, revenues from recovered oil sales increased three-fold, which helped mitigate the 77% decrease in fluid disposal volumes caused by market conditions and the commissioning of the pipeline connected customer's SWD in September 2020. In 2021, pricing was also impacted by the poor market conditions with water disposal prices decreasing 8% and flowback prices declining 11% due to competitive pressures. On the other hand, the realised net oil price increased 83% year over year.

Operating Costs:

In the fourth 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. In Q4 2021, operating costs remained relatively flat at $89,139 compared to $91,463 in Q4 2020. For the twelve months ended December 31, 2021, operating costs decreased 49% to $353,402 from $699,745 in the prior year, approximately inline with the 60% decrease in trucked water volumes year over year.

Epping SWD JV

Epping (Volumes 100%, Dollar amounts at 32.5% Working Interest in USD)		Q4 2021	Q4 2020	Change	YTD 2021	YTD 2020	Change
Production Water-Trucked	b/d	1,215	494	146%	1,098	692	59%
Production Water-Piped	b/d	4,522	5,798	-22%	4,445	5,951	-25%
Flowback	b/d	108	0	100%	105	0	100%
Total Fluids Disposed	b/d	5,843	6,292	-7%	5,648	6,642	-15%
Oil Sales	b/qtr. yr	658	399	65%	1,738	2,254	-23%
Revenue:							
Production Water-Trucked		$19,375	$7,932	144%	$70,295	$47,664	47%
Price for Production Water/bbl		0.53	0.54	-1%	0.54	0.58	-7%
Production Water-Piped		70,306	90,154	-22%	274,206	378,811	-28%
Price for Production Water/bbl		0.52	0.52	0%	0.52	0.54	-3%
Flowback		4,033	0	100%	15,934	3	612738%
Price for Flowback/bbl		1.25	0.00	100%	1.28	0.52	148%
Recovered Oil		14,987	4,060	269%	33,423	23,182	44%
Price for Oil/bbl		70.08	31.31	124%	59.17	31.65	87%
Other Income		0	0	0%	0	650	-100%
Total Revenue		108,701	102,145	6%	393,858	450,309	-13%
Total Revenue/bbl.		0.62	0.54	15%	0.59	0.57	3%
Operating Expenses		82,577	61,478	34%	282,698	334,215	-15%
Operating Income		$ 26,124	$40,668	-36%	$111,160	$116,094	-4%

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 twelve months ended December 31, 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 December 31, 2021, operating income totaled $26,124 compared to $40,668 in Q4 2020. For the twelve months ended December 31, 2021, operating income remained relatively flat at $111,160 compared to $116,094 for the prior year.

Volumes:

Volumes at the Epping JV are limited by the 7,000 bpd capacity of the injection well, however plans are being developed to drill a second disposal well ¾ mile west of the Epping SWD facility. 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 resulted in stable volume levels for this facility.

Total fluid disposal volumes averaged 5,844 bpd and 5,648 bpd for the three and twelve months ended December 31, 2021, respectively, down 7% and 15% from 6,292 bpd and 6,642 bpd, respectively, in the comparable 2020 three and twelve-month periods. The decrease from prior year levels is mainly due to market conditions. In the three and twelve months ended December 31, 2021, 77% and 79%, respectively, of fluid volumes were received by pipeline, compared to 92% and 90% in the three and twelve months ended December 31, 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 Q4 2021, recovered oil volumes increased to 658 barrels from 399 barrels in Q4 2020 and decreased to 1,738 barrels for the twelve months ended December 31, 2021, from 2,254 barrels for the 2020 year.

Revenues and Pricing:

In Q4 2021, total revenues increased 6% to $108,701 from $102,145 in Q4 2020 as oil revenues more than tripled (oil volumes up 65% and oil prices up 124%) which offset lower water disposal revenues. For the twelve months ended December 31, 2021, total revenues decreased 13% to $393,858 from $450,309 in the 2020 year as lower water disposal revenues (volumes down 15% and pricing down 7% year over year) more than offset higher oil revenues (up 44% year over year).

Operating Costs:

The site has 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. We are able to continue operating with reduced staff because most of the water disposed is pipeline water. As a result, operating costs decreased 15% to $282,698 in the twelve months ended December 31, 2021, from $334,215 in the prior year. In Q4 2021, operating costs increased to $82,577 from $61,478 in Q4 2020 due to higher repair and maintenance costs.

Canada - Clairmont Terminal

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 poor economic conditions resulting from the COVID pandemic. Following the January startup, the facility immediately began accepting wastewater for disposal and, in June 2021 we began accepting oil volumes for processing and blending following construction and commissioning of the Blend Skid which was fully funded by Pivotal.

Environmental and Safety

There were no environmental or safety incidents in the three and twelve months ended December 31, 2021.

Operating Results

Currently, the supply of midstream services from processing and disposal companies exceeds the demand in the Grande Prairie region. Once the industry absorbs the combination of the improving market conditions and the impact of the Secure Tervita merger, oilfield activity in the area is expected to increase. Pricing remained competitive in the fourth quarter, and Pivotal who have marketing and transportation responsibility for sourcing oil volumes for the facility, paid a premium to market prices for oil and reduced unit pricing to attract volume to the facility. Water prices also were competitive, but this business line is highly profitable at current prices.

In Q4 2021, the Clairmont Terminal operated at about 30% of capacity due to the competitive environment. Oil volumes in Q4 2021 decreased to 9,100 cubic meters (m3) from 13,400 m3 in the Q3 2021 while water disposal volumes decreased to 3,900 m3 from 6,300 m3 quarter over quarter. During 2022, both oil and water volumes are expected to increase over volumes received during Q4 2021 as existing long-term contracts with competing facilities expire.

The current capacity utilization at the Clairmont plant is insufficient to generate positive operating income and the losses have been compounded by the combination of discounted processing and disposal fees and the premium pricing being paid to attract oil to the facility. As a result, in Q4 2021, operating losses for the Clairmont Terminal, including the fixed costs associated with the shut-in oilfield, totaled $304,000, compared to operating losses of $181,000 in Q4 2020 when the Terminal was shut in. For the twelve months ended December 31, 2021, operating losses, including the costs of the shut-in oilfield, total $1,070,000 compared to $887,000 for the prior year. These losses are anticipated to be reduced and eventually eliminated as Pivotal grows the business volumes and improves the pricing environment.

Well Abandonments

In the third quarter of 2021, White Owl abandoned three shut-in oil wells with funding approved by the Government of Alberta's federally funded SRP program. 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, including two well abandinments planned for 2022.

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 during 2021 was a major accomplishment toward stated ESG goals. Additional abandonments are planned for 2022 and 2023.

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 to local community activities. White Owl staff in North Dakota are involved in local charity activities and participate in professional organizations.

Remainder of Page Intentionally Left Blank

OUTLOOK

Industry Overview

The oil and gas industry has rebounded strongly throughout 2021, with oil prices reaching their highest levels in six years. While the industry's recovery is better than expected, uncertainty remains over market dynamics in the coming year. As we move into 2022, many of our customers are looking to reinvent themselves by practicing capital discipline, focusing on financial health, paying dividends, committing to climate change and ESG, and transforming business models.

U.S. crude oil production reached almost 11.8 million b/d in November 2021 (the most recent monthly historical data point), the most in any month since April 2020. The EIA has forecast that production will rise to an average of 12.0 million b/d in 2022 and 12.6 million b/d in 2023, which would be record-high production on an annual-average basis. 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 at a minimum to offset production decline rates.

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 WTI averaging over US$90 in Q1 2022. Providing a reliable forecast for the balance of 2022 is difficult due to a combination of geopolitical events, climate fear driving demonization of oil and capital starvation, while supply is just not responding to price signals. For White Owl in the Bakken, we have based our budget on US$90 WTI which results in a US$79 per barrel netback.

Canadian Activity

The Petroleum Services Association of Canada ("PSAC") says it expects a total of 5,400 wells to be drilled in Canada in 2022, an increase of 16 per cent year-over-year and the most activity since 2019. PSAC also revised its 2021 forecast to 4,650 wells, in light of increased activity in the last half of the year. Despite these positive signals, oil and gas producers are slow to increase activity. Midstream service providers in the Grande Prairie region continue to compete for existing production barrels with little new volume coming into the market. We continue to anticipate growing water disposal volumes at Clairmont, although this business segment is also quite competitive in the Grande Prairie region.

In our 3rd quarter report, we indicated that we were still assessing the impact on the market of the Secure/Tervita merger on processing and disposal services in the area. We indicated that it was our view that area producers would be looking for a reliable and cost-effective alternative to the virtual monopoly that Secure/Tervita holds in the Grande Prairie market area. This view has just not yet materialised as producers continue to migrate to the lowest cost service provider. With the forecast pickup in drilling activity in the area for 2022, new production is anticipated to come onto the market by the summer resulting in improved economics and greater volumes at the Clairmont facility.

US Bakken Activity

North Dakota represents over 90 percent of company-wide revenue year-to-date and drilling and completion activity is expected to improve throughout 2022. North Dakota's rig count currently stands at 35.

The Bakken's production decline and the slow recovery of drilling despite rising oil prices forces us to raise the question: Will Bakken crude oil output recover to its previous highs? A new Institute for Energy Economics and Financial Analysis ("IEEFA") analysis suggests that a shortage of high-quality drilling sites poses a long-term risk to Bakken oil production. In the roughly 13 years since the Bakken oil boom began in earnest, the region's oil producers have increasingly concentrated on Tier 1 areas, where horizontal wells produce an abundance of oil. But IEEFA's analysis suggests these core areas may be almost exhausted, and most of the Bakken's best wells have already been drilled. Moving forward, oil companies may be able to drill about 700 new top-tier wells, those whose peak oil and gas output would rank among the top 20 percent of wells drilled to date.

Bakken oil output now stands at roughly 1.2 million bpd, down from an all-time high of 1.53 million bpd in November 2019. For production to recover to the 2019 level will require more drilling in Tier 2 and Tier 3 areas where there is an inventory of over 7,000 locations to be drilled. We are already seeing companies permit well locations in defined Tier 2 areas and this activity may in some cases extend the aerial extent of the known Tier 1 lands.

For White Owl this means that we should continue to see active drilling and completion activity in our operating areas as all of our Class 2 facilities service both Tier 1 and Tier 2 lands where breakeven oil prices are between $40 and $50 per barrel. We expect North Dakota's rig count to exceed 40 rigs by mid-summer.

Corporate Review

On December 23, 2021, the Company completed a financing with a new senior lender for US$7,700,000 of long-term debt with proceeds used to payout the demand term loan with its existing lender and to provide growth working capital. In addition, the Company concurrently entered into a US$1,000,000 demand operating loan agreement with a second lender replacing the Company's existing operating facility. Moving into 2022, the new banking arrangement provides White Owl with the financial stability needed to support the execution of its 2022 and 2023 business plan.

Our business plan recognises the improving market conditions, and our strategy includes a focus on the current state of the business and considers all strategic options including asset sales, mergers and other alternatives that aim to provide shareholders with improving returns and liquidity in the future.

For 2022, with the recent pandemic now fading into the rear-view mirror, we are focussed on generating improved financial performance and seeking opportunities to improve and grow our business in the future.

We would again like to thank all our staff for their significant efforts in a quarter and a year 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

NON-GAAP MEASURES

The MDFR refers to terms commonly used in the industry including operating income and EBITDA. 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 and EBITDA should not be considered as an alternative to, or more meaningful than, net income (loss) as determined in accordance with IFRS.

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.