



May 25, 2022

REPORT TO OUR SHAREHOLDERS

To Our Shareholders,

We are pleased to provide you with the Consolidated Interim Financial Statements and Management's Discussion of Financial Results of White Owl Energy Services Inc. ("White Owl" or "the Corporation" or "the Company") for the three months ended March 31, 2022.

FIRST QUARTER 2022 HIGHLIGHTS

Highlights for the three months ended March 31, 2022 are summarized as follows:

- Q1 2022 EBITDA increased more than ten-fold to \$1,356,000 from \$125,000 in Q1 2021 and is double the prior quarter's EBITDA of \$646,000. Underpinning the significant increase in EBITDA is higher recovered oil volumes combined with much improved oil pricing.
- Recovered oil volumes reached a quarterly record of 18,623 barrels in Q1 2022, up 39% from 13,399 barrels in Q1 2021 and up 21% from 15,384 barrels in the prior quarter, Q4 2021.
- In the three months ended March 31, 2022, recovered oil revenues increased 144% to \$1,972,000 from \$807,000 in the comparative 2021 quarter and increased 50% from \$1,319,000 in the previous quarter.
- The average realized net oil price ("netback") received for White Owl's recovered oil volumes has increased every quarter over the past six quarters in line with the increase in West Texas Intermediate ("WTI") prices. The average netback in Q1 2022 was US\$83.61 compared US\$68.12 per barrel in Q4 2021, and almost double the US\$47.56 per barrel in Q1 2021.
- Fluid disposal volumes in North Dakota averaged 34,270 barrels per day ("bpd") in the month of March 2022, a significant increase over the 26,242 bpd and 22,396 bpd recorded in February and January 2022, respectively. The increased volumes are attributable to new production from recently completed wells. The increased completion activity has led to higher flowback and recovered oil volumes for the Company. Flowback volumes averaged 1,429 bpd in Q1 2022, a four-fold increase over the 362 bpd in Q1 2021.
- At the Clairmont midstream facility in Alberta (the "Terminal"), Q1 2022 emulsion treating volume levels averaged 30% of facility capacity, while water disposal volumes averaged 57% of disposal capacity. In April 2022, capacity utilization has improved to 52% for emulsion treating and 65% for water disposal.



- In March 2022, the White Owl Epping Joint Venture, in which the Company holds a 32.5% working interest, approved the construction of a second disposal well $\frac{3}{4}$ mile west of the Epping SWD facility in response to increasing drilling and completion activity in the area. This second well is expected to become operational in Q4 2022, with an estimated cost of US\$1.0 million, net to White Owl's interest, which is to be funded from the Company's cash from operating activities.
- On March 18, 2022, the Company received confirmation that the second US federally funded Paycheck Protection Program loan in the amount of US\$400,263 was forgiven. This amount was originally received in Q2 2021 and was used to fund North Dakota facility operating expenses including payroll, utilities and rentals. In Q1 2022, the Company recorded a gain on loan payable of \$511,085 for the full amount of the forgiveness.

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

(\$000's, unless otherwise noted)	Three months ended		
	2022	March 31, 2021	%
North Dakota operations			
Disposal volumes (Bbls)	2,494,601	2,182,350	14%
Recovered oil sales volumes (Bbls)	18,623	13,399	39%
Disposal revenue (\$ per Bbl)	\$0.64	\$0.62	3%
Oil sales revenue (\$ per Bbl)	\$105.89	\$60.21	76%
Operating costs and royalties (\$ per Bbl)	\$0.62	\$0.66	-6%
North Dakota disposal and services revenue			
Disposal revenue	\$1,590	\$1,359	17%
Oil sales revenue	1,972	807	144%
Other revenue	70	63	11%
Total revenue – North Dakota	3,632	2,229	63%
Operating costs	(1,544)	(1,446)	7%
Operating income – North Dakota⁽¹⁾	\$2,088	\$783	167%
Alberta operations⁽²⁾			
Volumes (Bbls)			
Disposal and third-party processing	110,332	8,339	1223%
Revenue			
Disposal and third-party processing	173	1	17200%
Total revenue - Alberta	173	1	17200%
Operating costs	(425)	(318)	34%
Operating loss - Alberta	(\$252)	(\$317)	21%
Combined operations			
Oilfield disposal and processing revenue	\$3,735	\$2,167	72%
Other revenue	70	63	11%
Total revenue	3,805	2,230	71%
Operating costs	(1,969)	(1,764)	12%
Operating income⁽¹⁾	1,836	466	294%
General and administrative expenses (“G&A”)	(480)	(341)	41%
EBITDA ⁽¹⁾	1,356	125	985%
Other income and expenses			
Depreciation and depletion	(417)	(422)	-1%
Amortization	(15)	(15)	-
Finance costs	(219)	(179)	22%
Share-based payments	(12)	(24)	-50%
Foreign exchange gains	138	86	60%
Gain on loan payable forgiveness	511	-	100%
Income tax recovery (expense)	(1)	2	-150%
Net income (loss)	\$1,341	(\$427)	414%

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



EBITDA increased ten-fold to \$1,356,000 in Q1 2022 from \$125,000 in Q1 2021. This increase was a result of improving market conditions in North Dakota along with the resulting higher volumes and increased oil recovery. The increased volumes and higher oil pricing led to total combined revenue from North Dakota and Alberta increasing 71% to \$3,805,000 in Q1 2022 from \$2,230,000 in Q1 2021. Combined operating costs increased 12% over the same period to approximately match the 14% increase in North Dakota fluid disposal volumes.

North Dakota

Operating Income:

For the three months ended March 31, 2022, operating income almost tripled to \$2,088,000 from \$783,000 in Q1 2021 due to higher recovered oil revenues (up 144%) and increased water disposal revenues (up 17%). Operating costs increased 7% over the same periods. The New Town SWD accounted for 47% of Q1 operating income, while the Ross SWD and Watford City SWDs accounted for 20% and 15% respectively.

Volumes:

North Dakota fluid disposal volumes have shown a dramatic increase in the month of March 2022, reaching 34,270 bpd. During the first year of the COVID pandemic lower worldwide demand for oil resulted in producers curtailing production by shutting in wells and reducing capital programs. This resulted in White Owl's fluid disposal volumes falling to a range of 24,000 bpd to 28,000 bpd from pre-COVID levels of in excess of 40,000 bpd. In the summer of 2021, customers once again began to ramp up drilling and completion programs in response to improving commodity prices as world economies slowly improved. Although completion activity in the Bakken improved over the second half of 2021 and into 2022, White Owl's disposal volumes have been slow to recover. The slow recovery is a result of producers diverting production water to fracking activities, especially adjacent to the New Town and Watford SWDs. Beginning in March 2022, the Company is now seeing increased disposal volumes due to the increased drilling and completion activity.

In Q1 2022, North Dakota fluid disposal volumes increased 14% to average 27,683 bpd from 24,232 bpd in Q1 2021 and increased 9% from 25,446 bpd in Q4 2021. The increase in completion activity since mid-2021 has led to higher flowback volumes which contain higher concentrations of oil. In Q1 2022 flowback volumes averaged 1,429 bpd, a four-fold increase over the 362 bpd recorded in Q1 2021 and an increase of 21% over the prior quarter's 1,185 bpd.

For Q1 2022, recovered oil volumes were a record 18,623 barrels sold, up 39% from the 13,399 barrels sold in Q1 2021 and up 21% from the 15,384 barrels sold in Q4 2021.



Revenue and Pricing:

For Q1 2022, oil sales resulted in oil revenues more than doubling to \$1,972,000 from \$807,000 in Q1 2021. The realised net oil price increased 76% to \$105.89 per barrel while volumes sold increased 39% compared to Q1 2021. 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 (positive US\$0.66 per barrel for Q1 2022 compared to negative US\$0.37 per barrel for Q1 2021), trucking costs and taxes.

Fluid disposal revenues increased 17% to \$1,590,000 in Q1 2022 from \$1,359,000 in Q1 2021 due to a 14% increase in volumes combined with a 3% increase in average disposal pricing. The increase in average disposal pricing is a result of higher disposal fees at the pipeline connected Epping SWD.

Other revenue which includes recoveries from joint venture operations increased 11% to \$70,000 in Q1 2022 from \$63,000 in Q1 2021. The increase in other revenue is mainly due to higher operating costs at the Tioga and Epping SWDs, due to higher administrative fees received by White Owl for operating these facilities.

Operating Costs:

Total operating costs in North Dakota increased 7% to \$1,544,000 for the three months ended March 31, 2022, from \$1,446,000 for the prior year comparable quarter.

Please see **OPERATING LOCATIONS** on Page 6.

Alberta

Since the butane blend facility (the "Butane Blend Facility") was commissioned at the end of Q2 2021, emulsion treating volumes have averaged about 30% of plant capacity, while water disposal volumes have averaged 40% to 50% of capacity. In March 2022, White Owl completed an acid stimulation workover on the water disposal well which has resulted in higher disposal volumes in Q2 2022 to date. Also, in Q2 2022 to date, Pivotal Energy Partners ("Pivotal"), the owner of the Butane Blend Facility, has increased emulsion processing volumes to average just over 50% of capacity. Pivotal has marketing and transportation responsibility for sourcing oil volumes for the plant and is slowly increasing plant throughputs as activity in the area picks up.

The current capacity utilization level combined with the premiums paid to attract fluids to the facility have resulted in Q1 2022 operating losses for the Terminal. Aggravating this result is the 30% marketing royalty that White Owl pays to Pivotal on Terminal revenues. These losses are likely to continue until the marketing premiums are substantially reduced and the Terminal throughput is increased. Pivotal sees improving market conditions later in the year. Including the ongoing fixed costs related to the shut-in Clairmont oilfield the operating loss for Q1 was \$252,000, compared to an operating loss of \$317,000 in Q1 2021.

Please see **Canada - Clairmont Terminal** on Page 15 for additional information.



OPERATING LOCATIONS (dollar amounts in USD except Clairmont):

New Town SWD

New Town Facility (amounts in USD except volumes)		<u>Q1 2022</u>	<u>Q1 2021</u>	<u>Change</u>
Production Water - Trucked	b/d	11,363	10,541	8%
Flowback	b/d	187	27	592%
Total Fluids Disposed	b/d	11,550	10,568	9%
Oil Sales	b/qtr, yr	9,265	3,680	152%
Revenue:				
Production Water - Trucked		\$477,877	\$449,385	6%
Price for Production Water/bbl		0.47	0.47	-1%
Flowback		16,394	2,437	573%
Price for Flowback/bbl		0.97	1.00	-3%
Recovered Oil		763,523	174,875	337%
Price for Oil/bbl		82.41	47.52	73%
Total Revenue		1,257,794	626,697	101%
Total Revenue/bbl.		\$1.21	\$0.66	84%
Operating Expenses				
		500,972	425,246	18%
Operating Income		\$756,822	\$201,451	276%

Environmental and Safety:

There were several small spills at the site in Q1 2022 as a result of blocked lines from the desand tank. Piping changes were recently made which will eliminate future spills from this source. There were no safety incidents.

Operating Income:

Operating income increased almost four-fold to \$756,822 in Q1 2022 from \$201,451 in Q1 2021. This increase reflects improving market conditions which led to greater completion activity in the area and higher oil recoveries.

Volumes:

In Q1 2022, fluid disposal volumes increased 9% to 11,550 bpd from 10,568 bpd in Q1 2021. Flowback water volumes are minimal at this site as White Owl does not match the low price offered by competitors. However, initial production water from recently completed wells also has a high oil content. As a result, the New Town SWD has consistently high recovered oil volumes, averaging 9,265 barrels of oil in Q1 2022, or 50% of the Company's total recovered oil volumes for the quarter. For the remainder of 2022, some fluctuations in disposal



volumes is anticipated as area producers including Marathon Oil Company and Enerplus Resources USA Corporation use production water for well completion activities.

Revenues and Pricing:

The improved recovered oil volumes combined with the higher oil pricing resulted in revenues doubling to \$1,257,794 in Q1 2022 from \$626,697 in Q1 2021. Recovered oil revenues increased more than four-fold in Q1 2022 over Q1 2021 due to the higher oil volumes (up 152%) and the increased oil price (up 73%). Fluid disposal revenues for Q1 2022 increased 9% over Q1 2021, matching the volume increase while disposal pricing remained flat.

Operating Costs:

The New Town SWD facility is an older site and as a result has high maintenance costs. During Q4 2021, a lower maintenance horizontal pump was rented and installed to replace the four high maintenance triplex positive displacement pumps operating at the site. The rental pump requires less maintenance than the four positive displacement pumps it replaced, and also has a higher injection capacity which increases plant capacity.

For Q1 2022, operating costs increased 18% to \$500,972 from \$425,246 in Q1 2021 mainly due to higher expenses for labour, utilities and chemicals.

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Watford City SWD

Watford Facility (amounts in USD except volumes)				
		Q1 2022	Q1 2021	Change
Production Water - Trucked	b/d	6,399	7,559	-15%
Production Water - Piped	b/d	0	0	-100%
Flowback	b/d	255	122	108%
Total Fluids Disposed	b/d	6,653	7,681	-13%
Oil Sales	b/qtr, yr.	2,636	3,204	-18%
Revenue:				
Production Water - Trucked		\$261,390	\$306,580	-15%
Price for Prod'n. Water-Trucked/bbl		0.45	0.45	1%
Production Water - Piped		0	0	0%
Price for Prod'n. Water Piped/bbl		0.00	0.00	0%
Flowback		26,144	13,667	91%
Price for Flowback/bbl		1.14	1.24	-8%
Recovered Oil		222,484	157,605	41%
Price for Oil/bbl		84.40	49.19	72%
Other Income		0	0	0%
Total Revenue		510,018	477,852	7%
Total Revenue/bbl.		0.85	0.69	23%
Operating Expenses		267,446	277,352	-4%
Operating Income		\$242,572	\$200,500	21%

Environmental and Safety:

There were no environmental or safety incidents in the three months ended March 31, 2022.

Operating Income:

For the three months ended March 31, 2022, operating income for the Watford City SWD increased 21% to \$242,572 from \$200,500 in Q1 2021, mainly due to increased recovered oil revenues.

Volumes:

Q1 2022 disposal volumes averaged 6,653 bpd, a decrease of 13% from 7,681 bpd in Q1 2021. For Q1 2022, disposal volumes varied from 4,700 bpd in January to 9,100 bpd in March.

Increased drilling and completion activity in the area resulted in higher flowback disposal volumes which averaged 255 bpd in Q1 2022 compared to 122 bpd in Q1 2021.



Recovered oil volumes decreased 18% to 2,636 barrels in Q1 2022 from 3,204 barrels in Q1 2021 mainly due to the lower fluid disposal volumes in the current quarter (down 13%).

Revenues and Pricing:

Recovered oil revenues increased 41% to \$222,484 in Q1 2022 from \$157,605 in Q1 2021, with the higher netback (up 72%) more than offsetting the lower oil volumes (down 18%). The higher oil revenues also more than offset lower water disposal revenues (volumes down 15%). As a result, total revenues for the Watford City SWD facility increased 7% to \$510,018 in Q1 2022 from \$477,852 in Q1 2021.

Operating Costs:

The Watford City SWD was fully manned for 24 hours per day during the quarter. As this is a new facility, maintenance costs continue to be relatively low. In Q1 2022, operating costs decreased 4% to \$267,446 from \$277,352 in Q1 2021.

Ross SWD

Ross Facility (amounts in USD except volumes)				
		<u>Q1 2022</u>	<u>Q1 2021</u>	<u>Change</u>
Production Water - Trucked	b/d	3,593	2,746	31%
Flowback	b/d	145	50	191%
Total Fluids Disposed	b/d	3,739	2,796	34%
Oil Sales	b/qtr, yr.	3,850	5,152	-25%
Revenue:				
Production Water - Trucked		\$161,395	\$123,582	31%
Price for Production Water/bbl		0.50	0.50	0%
Flowback		13,581	4,815	182%
Price for Flowback/bbl		1.04	1.07	-3%
Recovered Oil		325,509	236,994	37%
Price for Oil/bbl		84.55	46.00	84%
Other Income		0	4,200	-100%
Total Revenue		500,485	369,591	35%
Total Revenue/bbl.		1.49	1.47	1%
Operating Expenses		186,836	245,565	-24%
Operating Income (Loss)		\$313,649	\$124,026	153%

Environmental and Safety:

There were no environmental or safety incidents in the three months ended March 31, 2022.

Operating Income:

For the three months ended March 31, 2022, operating income at the Ross SWD more than doubled to \$313,649 from \$124,026 in Q1 2021 mainly due to higher water disposal revenues (up 31%), higher oil revenues (up 37%) and lower operating costs (a decrease of 24%).

Volumes:

For Q1 2022, the Ross SWD disposal volumes ranged from 2,100 bpd in January to 6,000 bpd in March, resulting in an average of 3,739 bpd for Q1 2022, a 34% increase over the Q1 2021 average of 2,796 bpd. Recovered oil volumes at this site continue to be strong relative to fluid disposal volumes. For Q1 2022, recovered oil volumes totaled 3,850 barrels, a 25% decrease from 5,152 barrels in Q1 2021. During Q1 2021, operational issues at the nearby Hess SWD well resulted in recovered oil from the plant being trucked to the Ross SWD for processing and recovery, resulting in higher oil sales for the Q1 2021 quarter.

Revenues and Pricing:

Total revenues increased 35% to \$500,485 in Q1 2022 from \$369,591 in Q1 2021 as the realised net price for recovered oil almost doubled to \$84.55 per barrel from \$46.00 in Q1 2021. As a result, recovered oil revenues for Q1 2022 increased 37% to \$325,509 from \$236,994 in Q1 2021, despite the 25% decrease in recovered oil volumes over the same periods. Production water and flowback revenue increased 31% and 182%, respectively, in Q1 2022 to \$161,395 and \$13,581, respectively, compared to Q1 2021, matching the disposal volume increases.

Operating Costs:

With a relatively low level of disposal volumes during the year, field staff paid keen attention to fixed costs at the facility. As a result, labour costs were significantly reduced as the facility went to unmanned operations in April 2021. However, due to the recent increase in activity in the area, the facility will be manned 24/7 for the balance of 2022. For Q1 2022, operating costs decreased 24% to \$186,836 from \$245,565 in Q1 2021.

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Alexander Class 1 Facility

Alexander Facility (Amounts in USD except volumes)				
		<u>Q1 2022</u>	<u>Q1 2021</u>	<u>Change</u>
Class 1 Water-Trucked	b/d	4	16	-76%
Total Fluids Disposed	b/d	4	16	-76%
Class 1 Water	b/qtr. yr.	345	1,443	-76%
Revenue:				
Class 1 Water		\$2,070	\$8,518	-76%
Price for Class 1 Water		6.00	5.90	2%
Total Revenue		2,070	8,518	-76%
Total Revenue/bbl.		6.00	5.90	2%
Operating Expenses		50,651	55,254	-8%
Operating Income (Loss)		\$ (48,581)	\$ (46,736)	4%

White Owl's Class 1 water disposal business was established in 2019 with the conversion of the underutilised Class 2 SWD permit to Class 1 disposal. The customer base 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:

There were no environmental or safety incidents in the three months ended March 31, 2022.

Volumes:

Since the site reopened in October 2021 volumes have been low due to the continued drought in North Dakota which has significantly reduced landfill leachate. Also winter conditions in North Dakota make transporting of contaminated fresh water difficult due to freezing. Total volumes received in Q1 2022 were 345 bbls. An agreement has been reached with a customer to deliver approximately 1,000 barrels per month to Alexander commencing in Q2 2022.

Operating Income:

For the three months ended March 31, 2022, the Alexander facility recorded an operating loss of \$48,581, relatively unchanged from \$46,736 in Q1 2021.

Tioga SWD JV Facility

Tioga (Volumes 100%, dollar amounts at 47% in USD)				
		Q1 2022	Q1 2021	Change
Production Water-Trucked	b/d	5,531	3,134	76%
Production Water-Piped	b/d	551	0	100%
Flowback	b/d	1,756	177	890%
Total Fluids Disposed	b/d	7,838	3,311	137%
Oil Sales	b/qtr. yr.	5,705	2,443	134%
Revenue:				
Production Water - Trucked		\$114,241	\$66,861	71%
Price for Prod'n. Water-Trucked/bbl		0.49	0.50	-3%
Production Water - Piped		12,127	0	100%
Price for Prod'n. Water Piped/bbl		0.52	0.52	0%
Flowback		71,715	9,381	664%
Price for Flowback/bbl		0.97	1.25	-23%
Recovered Oil		229,919	57,183	302%
Price for Oil/bbl		85.75	49.80	72%
Other		0	0	100%
Total Revenue		\$428,002	133,425	221%
Total Revenue/bbl.		1.29	0.95	36%
Operating Expenses		141,922	73,220	94%
Operating Income		\$286,080	\$60,204	375%

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 months ended March 31, 2022.

Operating Income:

For the three months ended March 31, 2022, the Tioga JV SWD Facility ("Tioga JV") recorded operating income of \$286,080, a five-fold increase over \$60,204 in Q1 2021. This significant increase in operating results is due to higher fluid disposal and recovered oil volumes combined with much-improved oil pricing.

Volumes:

In the previous quarter, Q4 2021, the Tioga JV was shut in for most of the period to allow Hess to conduct drilling operations adjacent to the facility. As previously reported, White Owl was fully compensated by Hess for this



temporary suspension in operations. In Q1 2022, the Tioga JV was fully operational with disposal volumes increasing from 5,000 bpd in January to 10,000 bpd in March, resulting in a quarterly average of 7,839 bpd, more than double the Q1 2021 average of 3,311 bpd. This increase in disposal volumes is attributable to recent drilling activities in the area by Hess Corporation and XTO Energy Inc., the two largest customers for the site. In particular, the flowback volumes were strong and averaged 1,756 bpd in Q1 2022, up significantly from 177 bpd in Q1 2021. The increased oil-rich flowback volumes resulted in recovered oil volumes more than doubling to 5,705 barrels in Q1 2022 from 2,443 barrels in Q1 2021.

Revenues and Pricing:

In Q1 2022, revenue increased more than three-fold to \$428,002 from \$133,425 in Q1 2021 due to the higher fluid disposal and recovered oil volumes along with improved oil pricing, as discussed above. Pricing for trucked-in water has remained flat over the past year while flowback pricing per barrel has decreased by 23% at this site due to competitive pressures.

Operating Costs:

Due to the higher disposal volume levels, the Tioga JV is now manned 24 hours per day. As a result, Q1 2022 operating costs increased to \$141,922 from \$73,220 in Q1 2021.

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Epping SWD JV

Epping (Volumes 100%, Dollar amounts at 32.5% Working Interest in USD)				
		<u>Q1 2022</u>	<u>Q1 2021</u>	<u>Change</u>
Production Water-Trucked	b/d	1,367	1,036	32%
Production Water-Piped	b/d	4,910	3,736	31%
Flowback	b/d	50	246	-79%
Total Fluids Disposed	b/d	6,326	5,018	26%
Oil Sales	b/qtr. yr.	587	661	-11%
Revenue:				
Production Water-Trucked		\$21,617	\$16,599	30%
Price for Production Water/bbl		0.54	0.55	-1%
Production Water-Piped		74,678	56,821	31%
Price for Production Water/bbl		0.52	0.52	0%
Flowback		2,164	9,322	-77%
Price for Flowback/bbl		1.47	1.30	13%
Recovered Oil		15,659	10,565	48%
Price for Oil/bbl		82.08	49.18	67%
Other Income		0	0	0%
Total Revenue		114,118	93,306	22%
Total Revenue/bbl.		0.62	0.64	-3%
Operating Expenses		71,179	64,826	10%
Operating Income		\$ 42,940	\$28,480	51%

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 months ended March 31, 2022.

Operating Income:

For the three months ended March 31, 2022, operating income increased 51% to \$42,940 from \$28,480 in Q1 2021 due to higher fluid disposal and recovered oil revenues.



Volumes:

Volumes at the Epping JV SWD are limited by the 7,000 bpd capacity of the injection well, however due to demand in the area, the drilling of a second disposal well $\frac{3}{4}$ mile west of the Epping SWD is scheduled for this summer.

Volumes received in Q1 2022 were consistent and ranged between 6,100 bpd in January to 6,500 bpd in March. Total fluid disposal volumes increased 26% to 6,326 bpd in Q1 2022 from 5,018 bpd in Q1 2021. Fluid volumes received by pipeline in Q1 2022 averaged 79% of total volumes compared to 74% in Q1 2021.

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 Q1 2022, recovered oil volumes decreased 11% to 587 barrels from 661 barrels in Q1 2021.

Revenues and Pricing:

In Q1 2022, total revenues increased 22% to \$114,118 from \$93,306 in Q1 2021 approximately matching the 26% increase in disposal volumes compared to Q1 2021. Pricing for fluid disposal has remained flat over the past year at this facility, while the higher oil prices (up 67% in Q1 2022 over Q1 2021) led to increased oil revenues (up 48%), more than offsetting the 11% decrease in oil volumes.

Operating Costs:

The site has low variable operating costs because it is new and efficiently designed. Staffing at the site has continued with one operator on a half-time basis. White Owl has been able to continue operating with reduced staff because most of the water disposed is pipeline water. In Q1 2022, operating costs increased 10% to \$71,179 from \$64,826 in Q1 2021, even though disposal volumes increased by 26%.

Canada - Clairmont Terminal

The Terminal 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 start-up, the facility immediately began accepting produced water for disposal and, in June 2021 the facility began accepting oil volumes for custody transfer, processing and blending following construction and commissioning of the \$3 million Butane Blend Facility which was fully funded by Pivotal.

Environmental and Safety:

There were no environmental or safety incidents in the three months ended March 31, 2022.



Operating Results:

In Q1 2022, due to the competitive environment, emulsion treating volume levels averaged 30% of facility capacity, while water disposal volumes averaged 57%. In Q1 2022, emulsion oil volumes increased to 10,700 cubic meters (m3) from 9,100 m3 in Q4 2021, while water disposal volumes doubled to 7,700 m3 from 3,900 m3 over the same quarters. In April 2022 capacity utilization has improved to 52% for oil processing and 65% for water disposal.

Attracting new volumes to the Terminal is a challenge, as pricing continues to remain competitive in the Grande Prairie region. Pivotal who has marketing and transportation responsibility for sourcing oil volumes for the Terminal, continues to pay premiums to attract fluids to the facility which results in operating losses for the business. Aggravating the effect of the premiums, of which White Owl pays 70%, is the 30% marketing royalty that White Owl pays to Pivotal on Terminal revenues.

As a result, Q1 2022 operating loss, including the fixed costs associated with the Clairmont shut-in oilfield, totaled \$252,000, compared to an operating loss of \$317,000 in Q1 2021 when the Terminal was shut in, and compared to an operating loss of \$304,000 in the previous quarter, Q4 2021.

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 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. In 2021, White Owl abandoned three shut-in oil wells with funding approved by the Government of Alberta's federally funded SRP program and is planning an abandonment program for the remaining shut-in wells, including two well abandonments 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. In the field, we focus on factors that determine the company's impact on the environment, in both positive and negative ways, including pollution and emissions, recycling and safe disposal practices, water use-related issues and any required site remediation.



The abandonment of three shut-in oil wells at the Clairmont facility during 2021 was a major accomplishment toward our stated ESG goals and two additional well abandonments are planned for 2022.

For White Owl, people-related elements including company culture and issues that impact employees, customers, consumers, and suppliers, both within the company and in our operating regions, are important. The Company continues to make its people aware of the growing importance of these issues including our visibility in the communities in which we operate. White Owl staff in the field who have direct contact with customers and suppliers are encouraged to become more involved in local charity activities and to participate in professional and industry organizations.

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.

OUTLOOK

Industry Overview

The IEA estimates that 98.3 million bpd of petroleum and liquid fuels was consumed globally in March 2022, an increase of 2.4 million bpd from March 2021. The organisation forecasts that global consumption of petroleum and liquid fuels will average 99.8 million bpd for all of 2022, which is a 2.4 million b/d increase from 2021. U.S. crude oil production in the forecast averages 12.0 million bpd in 2022, up 0.8 million b/d from 2021. The IEA also forecasts production to increase another 0.9 million bpd in 2023 to average almost 13.0 million bpd, surpassing the previous annual average record of 12.3 million bpd set in 2019.

Total output in the major U.S. shale oil basins increased 109,000 bpd to 8.707 million bpd in March 2022, the most since March 2020. Earlier in the year, the EIA projected that for the Bakken in North Dakota and Montana, oil output will rise 6,000 bpd to 1.198 million bpd in March 2022. For February 2022 the North Dakota Pipeline Authority reported production of 1,089,193 bpd of oil and 2,870,652 mcf/d of gas for North Dakota

There were 27 drilling rigs working in the Williston at the start of 2022 compared with 11 at the start of 2021 while on May 5, 2022 the number of drilling rigs working is 41. Growing capacities in the Williston's midstream infrastructure not only supported higher volumes from increased drilling, but also helped enable some notable shifts in producer strategies during the year.

Oasis Petroleum North America LLC ("Oasis") for example has exited the Permian, sold off its midstream business to Crestwood Midstream and is now merging with Whiting Oil & Gas Corporation. White Owl will be watching



closely for indications of whether Oasis's decision to go all-in on the Williston will result in additional drilling in White Owl's operating areas. Another example is Grayson Mill, a Private Equity backed new entrant who has acquired Equinor ASA's (previously Statoil) Bakken land and production. Equinor ASA operates its own SWD network, which has also been acquired by Grayson Mill. However, there are indications that Grayson Mill is more inclined to use third party disposal than its predecessor. Enerplus Resources USA Corporation as well has been actively acquiring acreage in its operating areas.

Canadian Activity

The Canadian Association of Petroleum Producers 2022 forecast predicts a 22 per cent increase in natural gas and oil investment in 2022. The association also said capital spending in the sector is expected to reach \$32.8 billion, compared with an estimated \$26.9 billion in 2021.

For the Terminal it will take a combination of more drilling by customers in the Montney to the south and the Charlie Lake play to the west, and active marketing by Pivotal to attract the resulting new volumes to the plant. With processing and disposal capacity in the area currently exceeding supply, new volumes "on wheels" are needed to improve operating performance at the Terminal. Pivotal, the marketer for the plant is working with the Charlie Lake operators to bring increasing volumes to the Terminal and management anticipates higher volumes, lower premiums and improving performance in the second half of 2022.

US Bakken Activity

Most of White Owl's customers have built a sustainable growth platform of light oil focused assets in the Bakken through a combination of active drilling programs and selective acquisitions. The stability of these high quality, lower decline, light oil assets in a rising commodity price environment has led many of White Owl's customers to adjust their 2022 budgets for drilling and completion activity in the basin. Looking at information publicly available from corporate presentations, capital budgets for 2022 have been increased substantially, with White Owl's major customers alone committing in excess of \$4 billion for over 600 well completions during the year.

White Owl's North Dakota management is anticipating a busy year and plans are being developed to debottleneck facilities where there are capacity constraints.

Corporate Review

After two very difficult years, White Owl is seeing a substantial improvement in its operating performance in North Dakota with slowly improving market conditions in Alberta. There is every reason to believe that business will continue to improve in both markets with a resulting improvement in financial performance.



Building on the momentum generated in Q1 2022, White Owl's plans for the balance of 2022 include drilling the 2nd well at the Epping SWD and increasing plant capacities by investing in higher rate-of-return, low-risk debottlenecking projects at the Company's North Dakota SWDs. At the same time, White Owl will direct the pace of this capital program to ensure that we maintain a strong financial position to take advantage of additional growth. With financial performance continuing to trend positively, the Company is considering its strategic alternatives with the goal of eventually providing shareholders with a return and liquidity on their investment. We would like to thank our shareholders for their patience during the past five years of industry and financial volatility as a result of low commodity prices and the COVID induced downturn.

We would also like to thank all our staff for their significant efforts in keeping the business operating at 100% of availability during the COVID crisis and in making the adjustments required to achieve a strong quarter.

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.