



August 12, 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 and six months ended June 30, 2022.

SECOND QUARTER 2022 HIGHLIGHTS

Highlights for the three and six months ended June 30, 2022 for both North Dakota and Alberta are summarized as follows:

- Q2 2022 EBITDA increased four-fold to \$2,051,000 from \$469,000 in Q2 2021 and is up 51% over the prior quarter's EBITDA of \$1,356,000. Year to date EBITDA has increased almost six-fold to \$3,406,000 from \$594,000 in the six months ended June 30, 2021. Underpinning the significant increase in 2022 EBITDA is higher recovered oil volumes combined with much improved oil pricing and increased fluid disposal volumes.
- Since mid-2021, drilling and completion activity across North Dakota has been improving with the rig count increasing over the same period to 45 rigs currently from 23 rigs a year ago. As a result, beginning in March 2022, daily fluid disposal volumes have averaged close to 30,000 barrels per day ("bpd"). This daily volume was achieved despite April 2022's volumes being impacted by two late winter storms. The resulting snow and wind damage significantly disrupted energy industry operations across North Dakota for about ten days.
- Q2 2022 fluid disposal volumes in North Dakota increased 13% to average 29,571 bpd from 26,254 bpd in Q2 2021. For the six months ended June 30, 2022, fluid disposal volumes averaged 28,632 bpd, up 14% from the prior year six-month period.
- Recovered oil volumes totaled 16,483 and 35,178 for the three and six months ended June 30, 2022, respectively, an increase of 47% and 42%, respectively, from the prior year comparable periods. Oil recovery per barrel of fluid has improved due to higher concentrations of oil in flowback and initial production water volumes. In Q2 2022, flowback volumes represented 10% of total fluid disposal volumes compared to 5% in Q2 2021. For the six months ended June 30, 2022, higher priced flowback disposal volumes accounted for 8% of fluid disposal volumes compared to 3% in the 2021 comparable six-month

period.

- The average realized net oil price (“netback”) received for White Owl’s recovered oil volumes has increased every quarter over the past eight quarters in line with the increase in West Texas Intermediate (“WTI”) prices. The average netback in Q2 2022 was US\$98.07 compared US\$83.61 per barrel in Q1 2022, a 70% increase over US\$57.76 per barrel in Q2 2021. A positive North Dakota differential over the West Texas Intermediate price (“Positive Differential”) also benefited the realized net oil price in the current three and six-month periods.
- In Canada, the Special Committee of the Board of Directors of the Corporation (the “Special Committee”) has recommended selling the Clairmont facility and a sale of the facility is pending and expected to close in Q4 2022, subject to regulatory and Board approval. This sale was driven by the need to eliminate the monthly losses from the Clairmont operation and the desire to focus the Company’s attention on the more active North Dakota market.
- In Q2 2022, White Owl abandoned two suspended oil wells at Clairmont for a total cost of \$231,000. This follows the abandonment of three suspended oil wells in the third quarter of 2021. The 2021 abandonment program was primarily funded by the Government of Alberta’s federally funded SRP program. This brings the total number of abandonments at Clairmont to date to six wells.
- With the ramp up in activity levels in North Dakota, White Owl has increased operational staffing levels in Q2 2022 to pre-COVID levels. Hourly rates and salaries have been increased in order to attract and retain personnel in a very tight labour market. The pricing for most materials and services have also escalated due to inflationary pressures. As yet, White Owl has been unable to offset these direct cost increases with improved pricing due to competitive pressures.
- During June 2022, White Owl (32.5%) and its joint venture partner White Owl Epping LLC (67.5%), commenced work on the Epping 2nd well project. The site for the 2nd well is located $\frac{3}{4}$ mile west of the Epping SWD facility and the well is being developed in response to increased demand for disposal services due to drilling and completion activity in the area. Well pad construction is now complete with the disposal well completion and pipeline installation on schedule for commissioning in Q3 2022. This well is expected to become fully operational in Q4 2022, with an estimated cost of US\$1.1 million, net to White Owl’s increased working interest. In Q2 2022, White Owl increased its participation in the Epping Joint Venture by 2.5%, to hold a 35% interest in the Joint Venture, by funding an additional portion of the second well’s capital costs. The total estimated cost of US\$1.1 million will be funded from working capital.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(\$000's, unless otherwise noted)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	%	2022	2021	%
North Dakota operations						
Disposal volumes (Bbls)	2,710,500	2,389,402	13%	5,205,101	4,571,572	14%
Recovered oil sales volumes (Bbls)	16,483	11,231	47%	35,178	24,704	42%
Disposal revenue (\$ per Bbl)	\$0.79	\$0.61	30%	\$0.72	\$0.62	16%
Oil sales revenue (\$ per Bbl)	\$125.87	\$71.26	77%	\$115.05	\$65.06	77%
Operating costs and royalties (\$ per Bbl)	\$0.58	\$0.55	5%	\$0.60	\$0.60	-
North Dakota disposal and services revenue						
Disposal revenue	\$2,155	\$1,455	48%	\$3,744	\$2,813	33%
Oil sales revenue	2,075	800	159%	4,047	1,607	152%
Other revenue	76	62	23%	146	126	16%
Total revenue – North Dakota	4,306	2,317	86%	7,937	4,546	75%
Operating costs	(1,570)	(1,303)	20%	(3,114)	(2,748)	13%
Operating income – North Dakota⁽¹⁾	\$2,736	\$1,014	170%	\$4,823	\$1,798	168%
Alberta operations						
Volumes (Bbls)						
Disposal and third-party processing	204,742	16,187	1165%	315,074	24,528	1185%
Revenue						
Disposal and third-party processing	\$319	\$101	216%	\$492	\$102	382%
Total revenue - Alberta	319	101	216%	492	102	382%
Operating costs	(477)	(317)	50%	(902)	(636)	42%
Operating loss - Alberta⁽¹⁾	(\$158)	(\$216)	-27%	(\$410)	(\$534)	-23%
Combined operations						
Oilfield disposal and processing revenue	\$4,549	\$2,356	93%	\$8,283	\$4,522	83%
Other revenue	76	62	23%	146	126	16%
Total revenue	4,625	2,418	91%	8,429	4,648	81%
Operating costs	(2,047)	(1,620)	26%	(4,016)	(3,384)	19%
Operating income⁽¹⁾	2,578	798	223%	4,413	1,264	249%
General and administrative expenses ("G&A")	(527)	(329)	60%	(1,007)	(670)	50%
EBITDA⁽¹⁾	\$2,051	\$469	337%	\$3,406	\$594	473%
Other income and expenses						
Depreciation and depletion	(418)	(428)	-2%	(835)	(850)	-2%
Amortization	(15)	(15)	-	(30)	(30)	-
Finance costs	(225)	(233)	-3%	(444)	(412)	8%
Share-based payments	(16)	(25)	-36%	(28)	(49)	-43%
Foreign exchange (losses) gains	(347)	89	-489%	(209)	175	-219%
Gain on disposal of property, plant and equipment - net	-	420	-100%	-	420	-100%
Gain on loan payable forgiveness	-	-	-	511	-	100%
Loss on abandonment	(110)	-	100%	(110)	-	100%
Income tax expense	(1)	(1)	-	(2)	1	-300%
Net income (loss)	\$919	\$276	233%	\$2,259	(\$151)	1596%

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



EBITDA for the six months ended June 30, 2022 increased almost six-fold to \$3,406,000 from \$594,000 in the 2021 comparable period, while Q2 2022 EBITDA increased four-fold to \$2,051,000 from \$469,000 in Q2 2021. The significant increase in 2022 EBITDA is due to improved market conditions which resulted in higher fluid disposal volumes with increased oil recovery and sales at significantly higher pricing. The increased volumes and higher oil pricing led to total combined revenue from North Dakota and Alberta increasing 91% to \$4,625,000 in Q2 2022 from \$2,418,000 in Q2 2021. Combined operating expenses increased 26% to \$2,047,000 in Q2 2022 from \$1,620,000 in Q2 2021 due to increased disposal volumes and higher input costs for materials and labour.

For the six months ended June 30, 2022, company wide revenue increased 81% to \$8,429,000 from \$4,648,000 in the comparable 2021 six-month period. Combined operating expenses increased 19% to \$4,016,000 for the six months ended June 30, 2022 from \$3,384,000 in the corresponding 2021 six-month period due to the increased disposal volumes and input costs.

North Dakota

Operating Income:

Higher recovered oil revenues combined with higher water disposal revenues resulted in a 170% increase in Q2 2022 operating income to \$2,736,000 from \$1,014,000 in Q2 2021. Oil sales were a material component of these revenues as the higher oil prices and oil volumes led to oil revenues increasing 159% to \$2,075,000 in Q2 2022 from \$800,000 in Q2 2021. The increased activity levels across the Bakken resulted in water disposal revenues increasing 48% to \$2,155,000 from \$1,455,000 over the two quarters. Operating expenses also increased 20% over the same quarters due to the higher disposal volumes and increased input costs.

Due to the higher revenues, operating income for the current six-month period increased 168% to \$4,823,000 from \$1,798,000 in the six months ended June 30, 2021. Again, oil sales were a material component to this improvement in operating income, which increased 152% to \$4,047,000 in the current six-month period from \$1,607,000 in the comparable 2021 period. Water disposal revenues also increased 33% to \$3,744,000 from \$2,813,000 in the comparable 2021 period. Operating expenses increased 13% to \$3,114,000 for the six months ended June 30, 2022 from \$2,748,000 in the prior year comparable period, matching the increase in disposal volumes.

Volumes:

For Q2 2022, recovered oil volumes were a record 16,483 barrels sold, up 47% from the 11,231 barrels sold in Q2 2021. For the six months ended June 30, 2022, recovered oil volumes totaled 35,178 barrels sold, up 42% from 24,704 barrels in the prior year comparable six-month period.

Since mid-2021, drilling and completion activity across North Dakota has been improving with the rig count increasing over the same period to 45 rigs currently from 23 rigs a year ago. As a result, since March 2022, fluid



disposal volumes have exceeded 30,000 bpd, even though 2022's Q2 volumes were impacted by two late winter storms which significantly disrupted energy industry operations across North Dakota for about ten days.

In Q2 2022, North Dakota fluid disposal volumes increased 13% to average 29,571 bpd from 26,254 bpd in Q2 2021 and increased 7% from 27,683 bpd in the previous quarter. The increase in completion activity has led to higher flowback volumes which contain higher concentrations of oil. In Q2 2022 flowback volumes averaged 3,001 bpd, more than double the 1,194 bpd recorded in Q2 2021 and the prior quarter's 1,460 bpd.

Flow back volumes increased three-fold to 2,219 bpd in the current six-month period from 781 bpd in the same period last year. Fluid disposal volumes (production water and flowback) for the six months ended June 30, 2022 averaged 28,647 bpd, up 13% from 25,249 bpd in the prior year comparable six-month period.

Revenue and Pricing:

For Q2 2022, strong volumes and pricing resulted in oil revenues more than doubling to \$2,075,000 from \$800,000 in Q2 2021. The realised net oil price increased 77% to \$125.87 per barrel while volumes sold increased 47% compared to Q2 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 differential US\$2.77 per barrel for Q2 2022 compared to negative US\$0.50 per barrel for Q2 2021), trucking costs and taxes. For the six months ended June 30, 2022, oil revenues also more than doubled to \$4,047,000 from \$1,607,000 in the 2021 comparable six-month period, with oil volumes sold increasing 42% to 35,178 barrels and oil pricing up 77% to \$115.05 per barrel over the two periods.

Fluid disposal revenues increased 48% to \$2,155,000 in Q2 2022 from \$1,455,000 in Q2 2021 mainly due to significantly higher flowback disposal volumes (up 151% to 3,001 bpd from Q2 2021) which command a higher price than production water disposal volumes. In Q2 2022, flowback volumes represented 10% of total fluid disposal volumes compared to 5% in Q2 2021. For the six months ended June 30, 2022, flowback disposal volumes accounted for 8% of fluid disposal volumes compared to 3% in the 2021 comparable six-month period. As a result, fluid disposal revenues increased 33% to \$3,744,000 in the current six-month period from \$2,813,000 in the same period last year.

Other revenue which includes recoveries from joint venture operations increased 23% to \$76,000 in Q2 2022 from \$62,000 in Q2 2021 due to higher operating costs at the Tioga and Epping SWDs, on which White Owl receives an operating administrative fee. Similarly, for the six months ended June 30, 2022, other revenue totaled \$146,000, up 16% from \$126,000 in the 2021 comparable six-month period.



Operating Expenses:

In response to improving market conditions during Q2 2022, the Company has returned field staffing to pre-COVID levels. This has required an increase in hourly rates and salaries in order to attract and retain personnel in a very tight labour market. The cost of other materials and services have also increased due to inflationary pressures. As yet, management has not been able to offset these pricing increases with increased disposal fees due to competitive pressure at most locations. As a result, these higher input costs, as well as the increased disposal volumes, led to total North Dakota operating expenses increasing 20% to \$1,570,000 for the three months ended June 30, 2022, from \$1,303,000 for the prior year comparable quarter. In addition, for the six months ended June 30, 2022, operating expenses increased 13% to \$3,114,000 from \$2,748,000 in the 2021 comparable six-month period.

Please see **OPERATING LOCATIONS** on Page 7.

Alberta

For Q2 2022, emulsion treating volumes increased to 62% of plant capacity from 30% in the prior quarter, as the marketer for the facility, Pivotal, was successful in securing additional volumes for processing. In Q2 2022, capacity utilization for water disposal volumes increased to 70% from 57% in the prior quarter, Q1 2022.

Despite the improvement in capacity utilization, the premiums being paid to attract fluids to the facility have led to continued operating losses for White Owl. These losses are also a result of the 30% marketing royalty that White Owl pays to Pivotal on Terminal revenues. The losses are likely to continue unless the marketing premiums can be substantially reduced, and the Terminal throughput can be increased. Including the ongoing fixed costs related to the shut-in Clairmont oilfield, White Owl's operating loss for Q2 2022 was \$158,000, down from an operating loss of \$216,000 in Q2 2021. For the six months ended June 30, 2022, White Owl's operating loss was \$410,000, down from an operating loss of \$534,000 in the 2021 comparable six month period.

Please see **Canada - Clairmont Terminal** on Page 18 for additional information.

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OPERATING LOCATIONS (dollar amounts in USD except Clairmont):

New Town SWD

New Town Facility (amounts in USD except volumes)						
	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>Change</u>	<u>YTD 2022</u>	<u>YTD 2021</u>	<u>Change</u>
Production Water - Trucked b/d	10,786	13,251	-19%	11,073	11,904	-7%
Flowback b/d	327	26	1159%	257	27	871%
Total Fluids Disposed b/d	11,112	13,277	-16%	11,330	11,930	-5%
Oil Sales b/qtr, yr	5,303	4,405	20%	14,568	8,085	80%
Revenue:						
Production Water - Trucked	\$458,217	\$557,336	-18%	\$936,094	\$1,006,721	-7%
Price for Production Water/bbl	0.47	0.46	1%	0.47	0.47	0%
Flowback	57,005	2,371	2304%	73,399	4,808	1427%
Price for Flowback/bbl	1.92	1.00	91%	1.58	1.00	57%
Recovered Oil	515,926	254,117	103%	1,279,449	428,992	198%
Price for Oil/bbl	97.29	57.69	69%	87.83	53.06	66%
Total Revenue	1,031,148	813,824	27%	2,288,942	1,440,521	59%
Total Revenue/bbl.	\$1.02	\$0.67	51%	\$1.12	\$0.67	67%
Operating Expenses	472,489	469,408	1%	973,461	894,654	9%
Operating Income	\$558,659	\$344,416	62%	\$1,315,481	\$545,867	141%

Environmental and Safety:

There were no spills at the site in Q2 2022. In the previous quarter, there were several small spills as a result of blocked lines from the desand tank which have now been cleared. There were no safety incidents in the three and six months ended June 30, 2022.

The New Town SWD has operated 24/7 for over eight years and during this time there have been minor leaks from the injection pump skids with some oil accumulating in the underlying soil. Work is underway to clean up the contamination and White Owl plans to replace the existing injection pump skids with a new processing skid in 2023.

Operating Income:

For the six months ended June 30, 2022, operating income more than doubled to \$1,305,774 from \$545,867 in the prior year comparable period, mainly due to an 80% increase in recovered oil volumes combined with a 65% increase in the realized net oil price.



For Q2 2022, greater recovered oil sales and flowback disposal revenues combined with stable operating expenses resulted in operating income of \$548,952, up 59% from \$344,416 in Q2 2021.

Volumes:

New Town's disposal business was significantly affected by the two late-winter blizzards in April 2022. Plant volumes decreased 33% to 7,724 bpd in April from Q1 2022 levels, however volumes recovered in May to 12,177 bpd and to 13,400 bpd in June, with an average of 11,112 bpd for Q2 2022. For the six months ended June 30, 2022, fluid disposal volumes were 11,302 bpd compared to 11,930 bpd for the prior year comparable period.

The New Town SWD facility has the highest oil recovery and sales of any White Owl SWD, with oil recovery in the second quarter varying on a monthly basis between 900 to 3,000 barrels. The higher recovery in oil volumes is mainly due to the higher oil content in initial production water from recently completed wells. For the six months ended June 30, 2022, recovered oil volumes increased 80% to 14,568 barrels from 8,085 barrels in the six months ended June 30, 2021, while in Q2 2022 oil volumes increased 20% to 5,303 barrels from 4,405 barrels in Q2 2021.

For the remainder of 2022, some fluctuation in disposal volumes is anticipated as area producers continue to use production water for well completions.

Revenues and Pricing:

Total revenues increased 27% and 59% to \$1,030,812 and \$2,288,606, respectively, in the three and six months ended June 30, 2022, respectively, mainly due to higher oil volumes and pricing.

The improved recovered oil volumes combined with the higher oil pricing resulted in a three-fold increase in oil revenues to \$1,280,948 for the six months ended June 30, 2022 from \$428,992 for the 2021 comparable six-month period, with volumes up 80% and oil prices up 65%. In Q2 2022, recovered oil revenues doubled to \$517,425 from \$254,117 in Q2 2021, with oil volumes up 20% and the realized net oil price up 69%.

In the three and six months ended June 30, 2022, flowback volumes which command a higher price, represented a higher proportion of total disposal volumes. As a result, fluid (production water and flowback) revenues remained flat at \$1,007,658 for the six months ended June 30, 2022 compared to \$1,011,529 for the comparable six-month period in 2021, even though fluid disposal volumes decreased 5% over the two periods. For Q2 2022, fluid disposal revenues decreased 8% to \$513,387 from \$559,707 in Q2 2021, while fluid volumes disposed decreased 16% over the two quarters.

Operating Expenses:

The New Town SWD facility is an older site with high maintenance costs. To minimize operating expenses, triplex pumps were replaced with a rental horizontal centrifugal pump that has relatively low maintenance costs. This rental unit will be replaced in 2023 with a permanent horizontal pump skid. Inflationary pressures have impacted materials and labour costs, with most suppliers increasing prices by at least 10% since the beginning of 2022. In order to attract and retain staff, White Owl increased wages in June of 2022 at all of its sites. In summary, operating expenses at the New Town SWD facility increased 1% and 9% to \$472,489 and \$973,461, respectively, for the three and six months ended June 30, 2022, respectively.

Watford City SWD

Watford Facility (amounts in USD except volumes)

	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>Change</u>	<u>YTD 2022</u>	<u>YTD 2021</u>	<u>Change</u>
Production Water - Trucked b/d	6,499	8,137	-20%	6,449	7,849	-18%
Production Water - Piped b/d	0	0	0%	0	0	0%
Flowback b/d	374	598	-37%	315	361	-13%
Total Fluids Disposed b/d	6,873	8,734	-21%	6,764	8,211	-18%
Oil Sales b/qtr, yr.	2,815	2,410	17%	5,451	5,614	-3%
Revenue:						
Production Water - Trucked	\$266,551	\$336,112	-21%	\$527,941	\$642,692	-18%
Price for Prodn. Water-Trucked/bbl	0.45	0.45	-1%	0.45	0.45	0%
Production Water - Piped	0	0	0%	0	0	0%
Price for Prodn. Water Piped/bbl	0.00	0.00	0%	0.00	0.00	0%
Flowback	60,464	56,497	7%	86,608	70,164	23%
Price for Flowback/bbl	1.78	1.04	71%	1.52	1.07	42%
Recovered Oil	275,210	139,237	98%	497,694	296,842	68%
Price for Oil/bbl	97.77	57.78	69%	97.77	57.78	69%
Other Income	0	0	0%	0	0	0%
Total Revenue	602,225	531,846	13%	1,112,243	1,009,698	10%
Total Revenue/bbl.	0.96	0.67	44%	0.91	0.68	34%
Operating Expenses	275,968	289,675	-5%	543,414	567,027	-4%
Operating Income	\$326,257	\$242,171	35%	\$568,829	\$442,671	28%

Environmental and Safety:

There were no environmental or safety incidents in the three and six months ended June 30, 2022.



Operating Income:

In Q2 2022, operating income increased 32% to \$320,630 from \$242,171 in Q2 2021 as the revenues associated with higher recovered oil volumes (up 17%) and oil pricing (up 69%) more than offset lower fluid disposal revenues (down 19%).

For the six months ended June 30, 2022, operating income increased 27% to \$563,202 from \$442,671 in the prior year comparable period, mainly due to higher oil pricing which resulted in an increase of 68% in oil revenues between the two periods.

Volumes:

Activity adjacent to the Watford City SWD facility has been slowly increasing, with White Owl customers scheduling drilling and completion programs over the balance of the year.

During Q2 2022, fluid disposal volumes declined from 7,352 bpd in April to 6,061 bpd in June due mostly to producers reusing produced water for completion activities. For the Q2 2022, fluid disposal volumes decreased 21% to 6,873 bpd from 8,734 bpd in Q2 2021 and decreased 18% to 6,764 bpd in the six months ended June 30, 2022 from 8,211 bpd in the six months ended June 30, 2021. There were no volumes received via the Tallgrass pipeline during the current quarter or first half of 2022, however pipeline water is expected in Q3 2022.

Recovered oil volumes increased 17% to 2,815 barrels in Q2 2022 from 2,410 barrels in Q2 2021, offsetting the impact of lower fluid disposal volumes (down 21%). The higher recovered oil volume comes from flowback and initial production water from recently completed wells.

For the six months ended June 30, 2022, recovered oil volumes were 5,451 barrels compared to 5,614 barrels in the comparable 2021 six-month period, even though fluid disposal volumes decreased 18% between the two periods.

Revenues and Pricing:

Total Watford City SWD revenues increased 13% and 10% to \$601,696 and \$1,111,714, respectively, for the three and six months ended June 30, 2022 over the comparable 2021 periods, as higher oil revenues more than offset lower production water disposal revenues.

In Q2 2022, recovered oil revenues doubled to \$276,868 from \$139,237 in Q2 2021, while for the six months ended June 30, 2022, oil revenues increased 68% to \$499,352 from \$296,842 in the same period last year. The main reason for the strong oil revenues is higher oil pricing which increased 69% in the three and six months ended June 30, 2022 relative to the comparable 2021 periods.



Production water disposal revenues decreased 19% and 17% for the three and six months ended June 30, 2022, respectively, mainly due to the diversion of production water to fracking activities, as discussed previously.

Operating Expenses:

As this is a new facility, maintenance costs continue to be relatively low. Operating expenses decreased 3% to \$281,066 and \$548,512 for both the three and six-month periods ended June 30, 2022, respectively, even though disposal volumes decreased 21% and 18%, respectively, from the 2021 comparable periods.

Ross SWD

Ross Facility (amounts in USD except volumes)						
	Q2 2022	Q2 2021	Change	YTD 2022	YTD 2021	Change
Production Water - Trucked b/d	4,623	1,053	339%	4,111	1,895	117%
Flowback b/d	1,605	311	416%	879	181	385%
Total Fluids Disposed b/d	6,228	1,364	357%	4,990	2,076	140%
Oil Sales b/qtr, yr.	5,780	3,290	76%	9,630	8,442	14%
Revenue:						
Production Water - Trucked	\$209,954	\$47,905	338%	\$371,349	\$171,487	117%
Price for Production Water/bbl	0.50	0.50	0%	0.50	0.50	0%
Flowback	209,998	30,780	582%	223,579	35,595	528%
Price for Flowback/bbl	1.44	1.09	32%	1.40	1.08	30%
Recovered Oil	567,780	191,255	197%	893,289	428,249	109%
Price for Oil/bbl	98.23	58.14	69%	92.76	50.73	83%
Other Income	0	1,400	-100%	0	5,600	-100%
Total Revenue	987,732	271,340	264%	1,488,217	640,931	132%
Total Revenue/bbl.	1.74	2.19	-20%	\$1.65	\$1.71	-3%
Operating Expenses	256,476	110,249	133%	443,312	355,814	25%
Operating Income (Loss)	\$731,256	\$161,091	354%	\$1,044,905	\$285,117	266%

Environmental and Safety:

There were no environmental or safety incidents in the three and six months ended June 30, 2022.

Operating Income:

For the three months ended June 30, 2022, operating income at the Ross SWD increased almost five-fold to \$739,164 from \$161,091 in Q2 2021, mainly due to higher water disposal revenues (up four-fold), higher flowback revenues (up almost seven-fold) and higher oil revenues (up three-fold).



For the six months ended June 30, 2022, operating income at the Ross SWD increased almost four-fold to \$1,052,813 from \$285,117 in the 2021 comparable period, mainly due to higher water disposal revenues (up two-fold), higher flowback revenues (up six-fold) and higher oil revenues (up two-fold).

Volumes:

The increased activity in the area since mid-2021 has resulted in higher volumes of water and recovered oil for the three and six months ended June 30, 2022.

In particular, a five-fold increase in oil-rich flowback volumes in 2022 compared to 2021 has led to higher recovered oil volumes. Fluid disposal volumes increased significantly to 6,228 bpd and 4,990 bpd in the three and six months ended June 30, 2022, respectively, from 1,364 bpd and 2,076 bpd in the three and six months ended June 30, 2021, respectively.

For Q2 2022, recovered oil volumes increased 76% to 5,780 barrels from 3,290 barrels in Q2 2021, while for the six months ended June 30, 2022, oil volumes increased 14% to 9,630 barrels from 8,442 barrels in the same period last year.

Revenues and Pricing:

Total revenues increased almost four-fold to \$975,585 in Q2 2022 from \$271,340 in Q2 2021, and more than doubled to \$1,476,070 in the six months ended June 30, 2022 from \$640,931 in the six months ended June 30, 2021. The significant increase in 2022 revenues is due to higher fluid disposal and recovered oil volumes.

White Owl has benefited from the significant increase in oil prices over the past six months, with the realised net price for recovered oil sales increasing 69% to \$98.23 per barrel in Q2 2022 from \$58.14 per barrel in Q2 2021 and up 83% to \$92.76 per barrel in the six months ended June 30, 2022 from \$50.73 per barrel in the prior year comparable period. Flowback water pricing increased to \$1.44 per barrel in Q2 2022 from \$1.09 per barrel in Q2 2021 due to the receipt of higher priced flood water volumes.

Operating Expenses:

With the increased fluid disposal volumes in 2022, the site has now returned to fully manned operations for 24 hours per day. In addition to the increased fluid disposal volumes, higher labour costs also led to operating expenses increasing 114% to \$236,421 from \$110,249 in Q2 2021. Similarly, the higher disposal volumes and increased labour costs resulted in operating expenses increasing 19% to \$423,257 from \$355,814 in the comparable 2021 six-month period.

Alexander Class 1 Facility

Alexander Facility (Amounts in USD except volumes)							
		<u>Q2 2022</u>	<u>Q2 2021</u>	<u>Change</u>	<u>YTD 2022</u>	<u>YTD 2021</u>	<u>Change</u>
Class 1 Water-Trucked	b/d	215	3	7423%	110	9	1069%
Total Fluids Disposed	b/d	215	3	7423%	110	9	1069%
Class 1 Water	b/qtr. yr.	19,560	260	7423%	19,905	1,703	1069%
Revenue:							
Class 1 Water		\$109,560	\$1,560	6923%	\$111,630	\$10,078	1008%
Price for Class 1 Water		5.60	6.00	-7%	5.61	5.92	-5%
Total Revenue		109,560	1,560	6923%	111,630	10,078	1008%
Total Revenue/bbl.		5.60	6.00	-7%	5.61	5.92	-5%
Operating Expenses		112,859	54,455	107%	163,510	109,709	49%
Operating Income (Loss)		\$ (3,299)	\$ (52,895)	-94%	\$ (51,880)	\$ (99,631)	48%

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. Although there are significant volumes of Class 1 water generated in North Dakota, many generators of non-hazardous industrial fluids continue to use Class 2 facilities for disposal. White Owl anticipates that with growing regulatory enforcement, many of these generators will be redirected to Class 1 facilities of which White Owl operates one of the permitted two Class 1 facilities in North Dakota.

Environmental and Safety:

There were no environmental or safety incidents in the three and six months ended June 30, 2022.

Volumes:

Q2 2022 was significantly busier compared to the previous fifteen months during which volumes were low due to drought conditions in North Dakota. The April 2022 winter storms were followed by heavy spring rains and resulted in 19,560 barrels of water volumes disposed during the quarter. Nearly all the waste was leachate from landfills and we anticipate that leachate will continue to be delivered to the facility for the remainder of the year.



Operating Income:

For the three and six months ended June 30, 2022, the Alexander facility recorded an operating loss of \$3,299 and \$51,880, respectively, down from operating losses of \$52,895 and \$99,631 in the three and six months ended June 30, 2021, respectively.

Tioga SWD JV Facility

Tioga (Volumes 100%, dollar amounts at 47% in USD)							
		<u>Q2 2022</u>	<u>Q2 2021</u>	<u>Change</u>	<u>YTD 2022</u>	<u>YTD 2021</u>	<u>Change</u>
Production Water-Trucked	b/d	4,291	1,522	182%	4,908	2,324	111%
Production Water-Piped	b/d	2,038	0	100%	1,299	0	100%
Flowback	b/d	1,394	544	156%	1,574	362	335%
Total Fluids Disposed	b/d	7,722	2,066	274%	7,780	2,685	190%
Oil Sales	b/qtr. yr.	5,501	2,396	130%	11,206	4,839	132%
Revenue:							
Production Water - Trucked		\$92,727	\$31,543	194%	\$206,967	\$98,404	110%
Price for Prodn. Water-Trucked/bbl		0.51	0.48	4%	0.50	0.50	0%
Production Water - Piped		45,318	0	100%	57,445	0	100%
Price for Prodn. Water Piped/bbl		0.52	0.00	100%	0.52	0.00	100%
Flowback		87,269	28,359	208%	158,984	37,740	321%
Price for Flowback/bbl		1.46	1.22	20%	1.19	1.23	-3%
Recovered Oil		257,683	64,136	302%	487,602	121,319	302%
Price for Oil/bbl		99.67	56.96	75%	92.58	53.35	74%
Other		0	0	100%	0	0	100%
Total Revenue		\$482,997	\$124,038	289%	910,999	257,462	254%
Total Revenue/bbl.		1.46	1.40	4%	1.38	1.13	22%
Operating Expenses		159,356	69,505	129%	301,278	142,726	111%
Operating Income		\$323,642	\$54,532	493%	\$609,722	\$114,736	431%

The discussion below is based on total volumes for the facility while the financial information represents White Owl's 47% interest in the Tioga JV.

Environmental and Safety:

There were no environmental or safety incidents in the three and six months ended June 30, 2022.

Operating Income:

The increase in operating income at the Tioga SWD facility for the three and six months ended June 30, 2022 was a result of improved market conditions. For Q2 2022, operating income increased six-fold to \$337,416 from



\$54,532 in Q2 2022, while for the six months ended June 30, 2022 operating income increased more than five-fold to \$623,496 from \$114,736 in the prior year comparable period.

Volumes:

The increase in fluid disposal volumes to 7,722 bpd in Q2 2022 from 2,066 bpd in Q2 2021 and to 7,780 bpd for the six months ended June 30, 2022 from 2,685 bpd in the prior year six-month period is attributable to active drilling in the area. In particular, White Owl's pipeline connected customer has been drilling and completing wells in the area and is again delivering pipeline volumes to the plant.

Flowback volumes have averaged 1,574 bpd for the six months ended June 30, 2022, a four-fold increase from 362 bpd in the prior year comparable period. This oil-rich fluid has resulted in recovered oil volumes more than doubling to 5,501 barrels in Q2 2022 from 2,396 barrels in Q2 2021 and to 11,206 barrels for the six months ended June 30, 2022 from 4,839 barrels for the six months ended June 30, 2021.

Revenues and Pricing:

Revenue increased almost four-fold to \$476,385 in Q2 2022 from \$124,038 in Q2 2021 and to \$904,387 for the six months ended June 30, 2022 from \$257,462 for the comparable prior year six-month period.

Contributing to the higher revenues was increased net realized oil pricing which increased 75% to \$99.67 per barrel in Q2 2022 from \$56.96 per barrel in Q2 2021 and increased 74% to \$92.58 per barrel in the six months ended June 30, 2022 from \$53.35 per barrel in the six months ended June 30, 2021. Pricing for trucked-in water has remained relatively flat over the past year while flowback pricing per barrel has decreased by 3% at this site due to competitive pressures.

Operating Expenses:

Due to the increased activity in the area, the Tioga JV is now manned 24 hours per day. With the North Dakota labour market very competitive, labour costs increased in the second quarter due to wage increases required to retain key staff. As a result, Q2 2022 operating expenses doubled to \$138,969 from \$69,505 in Q2 2021. Similarly, for the six months ended June 30, 2022, operating expenses also doubled to \$280,890 from \$142,726 for the six months ended June 30, 2021.

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Epping SWD JV

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

		Q2 2022	Q2 2021	Change	YTD 2022	YTD 2021	Change
Production Water-Trucked	b/d	1,693	1,007	68%	1,531	1,022	50%
Production Water-Piped	b/d	3,499	4,849	-28%	4,201	4,295	-2%
Flowback	b/d	123	12	913%	87	128	-32%
Total Fluids Disposed	b/d	5,314	5,868	-9%	5,818	5,445	7%
Oil Sales	b/qtr. yr.	220	227	-3%	807	888	-9%
Revenue:							
Production Water-Trucked		\$27,961	\$16,166	73%	\$49,578	\$32,764	51%
Price for Production Water/bbl		0.56	0.54	3%	0.55	0.55	1%
Production Water-Piped		53,810	74,573	-28%	128,488	131,394	-2%
Price for Production Water/bbl		0.52	0.52	0%	0.52	0.52	0%
Flowback		6,539	445	1370%	8,703	9,767	-11%
Price for Flowback/bbl		1.80	1.24	45%	1.70	1.30	31%
Recovered Oil		6,975	4,175	67%	22,634	14,739	54%
Price for Oil/bbl		97.55	56.57	72%	97.55	56.57	72%
Other Income		0	0	0%	0	0	100%
Total Revenue		95,284	95,358	0%	209,403	188,664	11%
Total Revenue/bbl.		0.61	0.55	10%	0.61	0.59	4%
Operating Expenses		63,857	67,828	-6%	135,035	132,654	2%
Operating Income		\$ 31,428	\$27,531	14%	\$74,367	\$56,011	33%

White Owl has a 32.5% working interest in the Epping SWD Joint Venture (“Epping JV”). The discussion below is based on total volumes for the facility while the financial information represents White Owl’s 32.5% interest in the Epping JV.

Environmental and Safety:

There were no environmental or safety incidents in the three and six months ended June 30, 2022.

Operating Income:

For the three and six months ended June 30, 2022, operating income increased 14% to \$31,452 and 33% to \$74,392, respectively, from \$27,531 in Q2 2021 and \$56,011 for the six months ended June 30, 2021. The improved operating income is due to higher oil pricing, and improved flowback pricing and volumes.



Volumes:

Volumes at the Epping JV SWD are limited by the approximate 7,000 bpd capacity of the injection well and the pipeline-connected customer takes up most of this volume. Due to improved market conditions in the area, White Owl and its joint venture partner are developing a second disposal well $\frac{3}{4}$ mile west of the Epping SWD plant. This well will be pipeline connected to the facility and is scheduled for commissioning in Q4 2022.

For the six months ended June 30, 2022, fluid disposal volumes increased 7% to 5,818 bpd from 5,445 bpd for the six months ended June 30, 2021. During Q2 2022, disposal volumes were impacted by April's winter storms which caused the facility to be shut-in for ten days. As a result, volumes disposed in Q2 2022 decreased 9% to 5,314 bpd from 5,868 bpd in Q2 2021. Fluid volumes received by pipeline for the six months ended June 30, 2022 averaged 72% compared to 79% for the six months ended June 30, 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. For the three and six months ended June 30, 2022, recovered oil volumes totaled 220 barrels and 807 barrels, respectively, slightly lower than 227 and 888 barrels in the prior year comparable periods, respectively. Once the 2nd well becomes operational, oil recovery is forecast to increase due to the nature of the trucked-in production and flowback fluids which contain more oil.

Revenues and Pricing:

Total revenue net to White Owl increased 11% to \$208,701 for the six months ended June 30, 2022 from \$188,664 for the six months ended June 30, 2021, mainly due to higher trucked production water (volumes up 50%) and oil revenues (pricing up 72%). For Q2 2022, total revenue net to White Owl was \$94,583 compared to \$95,358 for Q2 2021, as higher oil and trucked production water revenues offset lower pipeline revenues (volumes down 28% due to the April storm activity).

Pricing for trucked production water has remained flat over the past year at this facility, while the higher oil prices (up 72% for the six months ended June 30, 2022 over the comparable prior year period) led to increased oil revenues (up 54%), more than offsetting the 9% decrease in oil volumes.

Operating Expenses:

White Owl operates this site with one operator on a half-time basis as most of the water disposed of is pipeline water. In addition, the site has low variable operating costs because it is new and efficiently designed.

For Q2 2022, operating expenses decreased 7% to \$63,131 from \$67,828 in Q2 2021, approximately matching the 11% decrease in fluid disposal volumes. Operating expenses remained flat at \$134,309 for the six months ended June 30, 2022 compared to \$132,654 in the prior year comparable period.

Epping Second Well:

The project is well underway with the well pad for the second injection well completed, surface and production casing has been purchased and the pipe for the $\frac{3}{4}$ mile pipeline has been ordered. Drilling of the injection well is scheduled for mid-Q3 2022, while construction of the pipeline and the necessary facility modifications are scheduled for September.

In Q2 2022, White Owl increased its participation in the Epping Joint Venture by 2.5%, to hold a 35% interest in the Joint Venture. White Owl earned this increased working interest, which is effective October 1, 2022, by funding an additional portion of the second well's capital costs. This will bring White Owl's share of the total project cost to an estimated US \$1.1 million, up from US \$1.0 million previously.

Canada – Clairmont Terminal

The Terminal commenced operations in January 2021 following an eight-month shut-in period during which operations were suspended due to poor economic conditions resulting from the COVID pandemic. Initially the facility only accepted produced water for disposal as the \$3 million Butane blending expansion was not commissioned until June 2021. At that time, the facility began accepting oil volumes for custody transfer, processing and blending.

Due to the need to eliminate the monthly losses from the Clairmont Terminal and the desire to focus more attention on the active North Dakota market, the Special Committee has recommended selling the Clairmont Terminal. The sale of the facility is pending and expected to close, subject to completion of due diligence and regulatory and Board approvals, during Q4 2022.

Environmental and Safety:

There were no environmental or safety incidents in the three and six months ended June 30, 2022.

Operating Results:

Capacity utilization for emulsion treating volumes doubled to 62% in Q2 2022 from an average of 30% in the previous quarter, Q1 2022, while disposal capacity utilization for water volumes improved to 70% from 57% in the previous quarter. In Q2 2022, emulsion and dry oil volumes increased to 23,109 cubic meters ("m3") from 10,700 cubic meters (m3) in Q1 2022, while water disposal volumes increased to 9,589 m3 from 7,700 m3 over the same quarters. In July 2022 capacity utilization is over 70% for oil processing and is at 65% for water disposal.

Attracting new volumes to the Terminal at favourable pricing continues to be a challenge, as competitive pressures persist in the Grande Prairie region. Premiums to attract fluids to the facility continue to be paid by Pivotal who



has marketing and transportation responsibility for sourcing oil volumes for the Terminal. These premiums continue to result in operating losses for White Owl.

As a result, Q2 2022 operating loss, including the fixed costs associated with the Clairmont shut-in oilfield, totaled \$158,000, compared to an operating loss of \$216,000 for Q2 2021 when the Terminal was shut in, and compared to an operating loss of \$252,000 in the previous quarter, Q1 2022. For the six months ended June 30, 2022, White Owl recorded an operating loss of \$410,000 compared to \$534,000 in the prior year six-month period.

Well Abandonments:

During Q2 2022, White Owl abandoned two suspended oil wells for a total cost of \$231,000. This follows the abandonment of three suspended oil wells in the third quarter of 2021 with funding primarily provided by Government of Alberta's federally funded SRP program. This brings the total number of abandonments to date to six wells. The oil field adjacent to the Terminal was permanently shut-in by White Owl in 2019. The oilfield has 28 wellbores of which 6 wellbores have been abandoned, and 5 wellbores are reserved for conversion to Class 2 water disposal wells, leaving 17 wellbores to be abandoned.

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 two shut-in oil wells in Q2 2022, which followed the abandonment of three shut-in oil wells at the Clairmont facility during 2021 was a major accomplishment toward our stated ESG goals.

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

According to the US Energy Information Administration (the “EIA”), world oil demand is forecast to reach 101.6 million bpd in 2023, surpassing pre-pandemic levels. While higher oil prices and a weaker economic outlook are forecast to moderate demand, the Asian market is expected to drive gains in demand next year, with global growth in demand accelerating from 1.8 million bpd in 2022 to 2.2 million bpd in 2023. Non-OECD economies are set to account for nearly 80% of growth next year. U.S. crude oil production is forecast to average 11.9 million bpd in 2022 and 12.8 million bpd in 2023, which would set a record for most U.S. crude oil production in a year. The current record is 12.3 million bpd, set in 2019. Most of the increase is coming from the Permian Basin with the Bakken forecast to remain steady at around 1.2 million bpd.

Canadian Activity

The Canadian Energy Regulator estimates that Canadian crude oil production will average 4.53 million bpd in 2022 of which 844,000 bpd is light oil and condensate from Alberta and BC. Drilling in the first half of 2022 has increased from 2021 with producers drilling 2,400 wells across Canada during the period, a 32 per cent increase from the 1,825 wells drilled in January-June 2021. Currently there are 132 rigs drilling in Alberta and 6 rigs drilling in BC. White Owl’s interest is in the Clairmont and Grande Prairie region where there are 39 rigs currently drilling. The market in the Grande Prairie area remains competitive, however White Owl expects to receive fluids from new wells being drilled by its customers, as the wells come on-line and wait times increase at competitor facilities. Please see **Corporate Review** below.

US Bakken Activity

The good news for White Owl is that the higher prices for oil have resulted in rising activity in the Bakken. While still not matching the pre-pandemic peak levels, production has rebounded from the lows of May and June 2020. Oil production is up more than 25% since the lows of May 2020. The Bakken is also a gas basin and gas flaring (which is limited by the regulator) associated with oil production has declined in recent months from 10% of associated gas produced to just 6% in early 2022 due to improved oil and gas gathering infrastructure.

Egress of oil from the Bakken region through the Dakota Access Pipeline (DAPL) continues despite courts ordering a more detailed “environmental impact statement”. The U.S. Army Corps of Engineers, the federal agency overseeing the permit approval process, has said it expects to complete this review by September 2022.



For May 2022, the North Dakota Pipeline Authority reported production of 1,058,720 bpd of oil and 2,787,670 mcf of natural gas for North Dakota. Production of both oil and natural gas has not been increasing due to the high decline rates of Bakken wells, with new production from drilling and completion activity just replacing declines. White Owl's customers were operating 45 drilling rigs in the Bakken at the end of Q2 2022. As for Q1 2022, there have again been changes in White Owl's customer base during Q2 2022.

Whiting Petroleum Corporation ("Whiting") and Oasis Petroleum Inc. ("Oasis") have merged and now operate under the name Chord Energy Corporation ("Chord"). This merger has created one of the larger White Owl customers, as the company holds approximately 972,000 net acres in the Bakken and had combined first quarter production of 171,100 barrels of oil equivalent per day. Both Whiting and Oasis have been long-term customers of White Owl. During the year to date, there have also been a significant number of smaller corporate and land acquisitions in the Bakken. Both Enerplus Resources USA Corporation and Devon Energy Corporation have been active in acquiring acreage in their respective operating areas.

For the balance of 2022, White Owl anticipates a continuation of current activity levels as recent permitting activity by major producers in the Bakken portends steady to increasing activity levels. Absent a 'black swan' event, 2022 is expected to be a strong year for White Owl.

Corporate Review

Our focus on capital discipline along with the substantial improvement in market conditions in North Dakota have resulted in the Company delivering substantial free cash flow during Q2 2022. Despite the significant inflationary pressures impacting our industry, we have been able to navigate the resulting headwinds and generate improved returns for the first six months of 2022. The Company is currently forecasting to deliver EBITDA of over US\$4 million for the full year 2022. With the North Dakota business now generating free cash flow each month, the balance sheet is also improving with US\$3.1 million of cash in the bank as at June 30, 2022. Long term bank debt remains at US\$7.7 million with principal payments scheduled to recommence in October 2022 and a scheduled cash sweep of an estimated US\$500,000 forecast for Q1 2023.

With the Company's financial position continuing to improve, the Special Committee of the board continues its strategic review of the Company and its operations with the goal of understanding the choices available to the board of directors in its pursuit of maximising shareholder value and ultimately providing liquidity to shareholders. These choices include everything from an outright sale of the business to a continuation of the business as a going concern with a focus on returning capital to shareholders, and everything else in between. One outcome from this process is that the Special Committee has recommended selling the Clairmont Terminal and the sale of the facility to the marketing partner is pending and expected to close, subject to completion of due diligence and regulatory



approvals, during Q4 2022. This sales process was driven by the need to eliminate the monthly losses from the Clairmont Terminal and the desire to focus more attention on the active North Dakota market.

Again, we would also like to thank all our staff in Alberta and North Dakota for their significant efforts in keeping the business operating at 100% of availability during the COVID crisis and the transition back to more normal operating conditions. Thankyou for your commitment and loyalty and for making the adjustments required to achieve a strong first half of 2022.

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.