



MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS

For the three and nine months ended September 30, 2022

Management's Discussion of Financial Results ("MDFR") is provided to assist readers in the assessment of the results of operations, liquidity and capital resources of White Owl Energy Services Inc. ("White Owl" or the "Company" or the "Corporation") as at and for the three and nine months ended September 30, 2022. White Owl is a private company and is not required to prepare and file Management's Discussion and Analysis ("MD&A") in accordance with regulatory requirements in Canada or the United States ("US"). **This MDFR does not constitute an MD&A for the purposes of Canadian or US securities laws and may not include all the information that might otherwise be required or expected thereunder.**

This MDFR is based on information available to November 21, 2022 and should be read in conjunction with White Owl's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022 and 2021 as well as the audited consolidated financial statements for the years ended December 31, 2021 and 2020. The financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts are stated in Canadian dollars unless otherwise noted.

THIRD QUARTER 2022 HIGHLIGHTS

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

- Q3 2022 EBITDA increased five-fold to \$1,915,000 from \$387,000 in Q3 2021. Year to date EBITDA has increased more than five-fold to \$5,321,000 from \$981,000 for the nine months ended September 30, 2021. Underpinning the significant increase in 2022 EBITDA is revenue from recovered oil volumes combined with much improved oil pricing and increased fluid disposal volumes.
- Fluid disposal volumes at White Owl's Salt Water Disposal ("SWD") facilities have been increasing since the beginning of the current year due to improved drilling and completion activity across North Dakota since mid-2021. Currently there are 45 drilling rigs operating in North Dakota compared to 31 rigs a year ago.
- Q3 2022 fluid disposal volumes in North Dakota increased 19% to average 33,100 barrels per day

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(“bpd”) from 27,880 bpd in Q3 2021. For the nine months ended September 30, 2022, fluid disposal volumes averaged 30,138 bpd, up 15% from 26,135 bpd for the prior year nine-month period.

- North Dakota recovered oil volumes totaled 16,123 and 51,301 for the three and nine months ended September 30, 2022, respectively, an increase of 56% and 46%, 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. For the nine months ended September 30, 2022, flowback disposal volumes accounted for 7% of fluid disposal volumes compared to 3% in the 2021 comparable nine-month period.
- The average realized net oil price (“netback price”) received for White Owl’s recovered oil volumes has increased in 2022 in line with the increase in West Texas Intermediate (“WTI”) prices. The netback price has increased 60% to US\$87.96 for the nine months ended September 30, 2022, from US\$54.89 for the comparable 2021 nine-month period. A positive North Dakota differential of US\$3.50 per barrel and US\$2.29 per barrel over the West Texas Intermediate price (“Positive Differential”) also benefited the netback price in the current three and nine-month periods, respectively.
- In Canada, the Clairmont Terminal and four associated wells were sold, effective October 1, 2022, as the Corporation was unwilling to fund continuing operating losses. The transaction closed on October 14, 2022, with net proceeds to White Owl of \$1,250,000. The closing of this transaction will allow management to focus more attention on the active North Dakota market where drilling and completion activity is forecast to be strong during 2023. The net proceeds of the sale will be allocated towards abandonment and reclamation costs for the shut-in oilfield which remains with White Owl.
- Drilling and completion of the second Epping injection well was completed on October 12, 2022, with the project taking over three weeks longer than scheduled. The associated pipeline was completed on October 29, 2022. An injectivity test was performed on the well in October with good results, however it will require several months of operation to ascertain the true injection capacity of the well. During drilling of the well, significant sub-surface issues were encountered, which resulted in drilling delays and added costs for rig time and invert drilling mud. As a result, White Owl’s 35% share of the project cost is estimated at US\$1.6 million, or US\$0.5 million higher than the original budget.

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

(\$000's, unless otherwise noted)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	%	2022	2021	%
North Dakota operations						
Disposal volumes (Bbls)	3,063,741	2,564,932	19%	8,268,842	7,136,684	16%
Recovered oil sales volumes (Bbls)	16,123	10,361	56%	51,301	35,064	46%
Disposal revenue (\$ per Bbl)	\$0.73	\$0.62	17%	\$0.72	\$0.62	17%
Oil sales revenue (\$ per Bbl)	\$107.83	\$77.23	40%	\$112.78	\$68.66	64%
Operating costs and royalties (\$ per Bbl)	\$0.51	\$0.58	-11%	\$0.57	\$0.59	-4%
North Dakota disposal and services revenue						
Disposal revenue	\$2,231	\$1,603	39%	\$5,975	\$4,416	35%
Oil sales revenue	1,739	800	117%	5,786	2,407	140%
Other revenue	129	71	82%	275	197	40%
Total revenue – North Dakota	4,099	2,474	66%	12,036	7,020	71%
Operating costs	(1,576)	(1,480)	6%	(4,691)	(4,228)	11%
Operating income – North Dakota⁽¹⁾	\$2,523	\$994	154%	\$7,345	\$2,792	163%
Alberta operations						
Volumes (Bbls)						
Disposal and third-party processing	246,062	130,822	88%	561,136	156,396	259%
Revenue						
Disposal and third-party processing	\$316	\$177	79%	\$808	\$279	190%
Total revenue - Alberta	316	177	79%	808	279	190%
Operating costs	(353)	(410)	-14%	(1,255)	(1,046)	20%
Operating loss - Alberta⁽¹⁾	(\$37)	(\$233)	-84%	(\$447)	(\$767)	-42%
Combined operations						
Oilfield disposal and processing revenue	\$4,286	\$2,580	66%	\$12,569	\$7,102	77%
Other revenue	129	71	82%	275	197	40%
Total revenue	4,415	2,651	67%	12,844	7,299	76%
Operating costs	(1,930)	(1,890)	2%	(5,946)	(5,274)	13%
Operating income⁽¹⁾	2,485	761	227%	6,898	2,025	241%
General and administrative expenses (“G&A”)	(570)	(374)	52%	(1,577)	(1,044)	51%
EBITDA⁽¹⁾	\$1,915	\$387	395%	\$5,321	\$981	442%
Other income and expenses						
Depreciation	(436)	(423)	3%	(1,271)	(1,273)	0%
Amortization	(16)	(15)	7%	(46)	(45)	2%
Finance costs	(297)	(151)	97%	(741)	(563)	32%
Share-based payments	(23)	(21)	10%	(51)	(70)	-27%
Foreign exchange losses	(825)	(267)	209%	(1,034)	(92)	1024%
Gain (loss) on disposal of property, plant and equipment - net	7	(15)	147%	7	405	-98%
Gain on loan payable forgiveness	-	455	-100%	511	455	12%
Gain on modification of lease liabilities	-	12	-100%	-	12	-100%
Loss on abandonment	(1)	-	100%	(111)	-	100%
Income tax expense	-	(1)	-100%	(2)	-	100%
Net income (loss)	\$324	(\$39)	931%	\$2,583	(\$190)	1459%

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

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EBITDA for the nine months ended September 30, 2022, increased more than five-fold to \$5,321,000 from \$981,000 in the 2021 comparable nine-month period, while Q3 2022 EBITDA also increased five-fold to \$1,915,000 from \$387,000 in Q3 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 oil pricing.

The increased volumes and higher oil pricing led to total combined revenue from North Dakota and Alberta increasing 67% to \$4,415,000 in Q3 2022 from \$2,651,000 in Q3 2021. Combined operating expenses for Q3 2022 which included a North Dakota payroll tax credit of \$326,000 relating to prior periods, increased 2% over Q3 2021. Before taking this credit into account, combined operating expenses increased 19% in Q3 2022 over Q3 2021, matching the increase in disposal volumes between the two quarters.

For the nine months ended September 30, 2022, Company wide revenue increased 76% to \$12,844,000 from \$7,299,000 for the comparable 2021 nine-month period. Combined operating expenses for the nine months ended September 30, 2022, which included North Dakota payroll tax credits of \$463,000 relating to prior periods, increased 13% over the comparable 2021 nine-month period. Before taking this credit into account, combined operating expenses increased 22% for the nine months ended September 30, 2022, over the comparable 2021 nine-month period. The 22% increase in operating expenses exceeds the 16% increase in disposal volumes for the year to date due to a return to full staffing at the SWD sites, higher labour rates and inflationary pressures on other input costs.

North Dakota

Operating Income:

Higher recovered oil revenues combined with higher water disposal revenues resulted in a 154% increase in Q3 2022 operating income to \$2,523,000 from \$994,000 in Q3 2021. Oil sales were a material component of these revenues as higher oil prices (up 40%) and oil volumes (up 56%) led to oil revenues more than doubling to \$1,739,000 in Q3 2022 from \$800,000 in Q3 2021. The increased activity levels across the Bakken resulted in water disposal revenues increasing 39% to \$2,231,000 in Q3 2022 from \$1,603,000 in Q3 2021. Operating expenses increased 29% in Q3 2022 over Q3 2021 before applying a credit of \$326,000 received for payroll taxes relating to prior periods. This increase in operating expenses is attributable to higher disposal volumes (up 19%) and higher input costs, especially labour.

Due to the higher revenues, operating income for the current nine-month period increased 163% to \$7,345,000 from \$2,792,00 for the nine months ended September 30, 2021. Again, revenue from oil sales was a material component to this improvement in operating income, which increased 140% to \$5,786,000 in the current nine-month period from \$2,407,000 in the comparable 2021 nine-month period. Water disposal revenues increased 35% to \$5,975,000 from \$4,416,000 in the comparable 2021 period. Operating expenses increased 11% (or 22% before the aforementioned payroll tax credits) to \$4,691,000 for the nine months ended September 30,

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2022, from \$4,228,000 in the prior year comparable period, due to the 16% increase in disposal volumes and inflationary pressures on input costs including labour. In addition, the SWD facilities have returned to full staffing levels in 2022 due to the increased disposal volumes,

Volumes:

For Q3 2022, recovered oil volumes totaled 16,123 barrels sold, up 56% from the 10,361 barrels sold in Q3 2021 and near the all-time quarterly record of 16,483 barrels reached in Q2 2022. For the nine months ended September 30, 2022, recovered oil volumes totaled 51,301 barrels sold, up 46% from 35,064 barrels in the prior year comparable nine-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 31 rigs a year ago. As a result, since March 2022, fluid disposal volumes have averaged 31,700 bpd, even though April 2022's volumes were impacted by two late winter storms which significantly disrupted energy industry operations across North Dakota for about ten days.

In Q3 2022, North Dakota fluid disposal volumes (production water and flowback) increased 19% to average 33,100 bpd from 27,880 bpd in Q3 2021 and increased 12% from 29,571 bpd in the previous quarter. The increase in completion activity has led to higher flowback volumes which contain higher concentrations of oil. In Q3 2022 flowback volumes averaged 2,178 bpd, approximately double the 1,151 bpd recorded in Q3 2021.

Flowback volumes more than doubled to 2,206 bpd in the current nine-month period from 905 bpd in the same period last year. Fluid disposal volumes for the nine months ended September 30, 2022, averaged 30,138 bpd, up 15% from 26,135 bpd in the prior year comparable nine-month period.

Revenue and Pricing:

For Q3 2022, strong oil volumes (up 56%) and pricing (up 40%) resulted in oil revenues more than doubling to \$1,739,000 from \$800,000 in Q3 2021. The netback price increased to \$107.83 per barrel in Q3 2022 from \$77.23 per barrel in Q3 2021. White Owl's netback price is determined as the WTI average oil price for the month less deductions for the Bakken differential (positive US\$3.50 per barrel for Q3 2022 compared to negative US\$0.50 per barrel for Q3 2021), trucking costs and taxes. For the nine months ended September 30, 2022, oil revenues also more than doubled to \$5,786,000 from \$2,407,000 in the 2021 comparable nine-month period, with oil volumes sold increasing 46% to 51,301 barrels and oil pricing up 64% to \$112.78 per barrel over the two periods. The Bakken differential is positive US\$2.29 per barrel for the nine months ended September 30, 2022, compared to negative US\$0.34 per barrel for the comparable 2021 nine-month period.

Fluid disposal revenues increased 39% to \$2,231,000 in Q3 2022 from \$1,603,000 in Q3 2021 mainly due to significantly higher flowback disposal volumes (up 89% to 2,178 bpd from Q3 2021) which command a higher

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price than production water disposal volumes. In addition, pipeline volumes more than doubled to 3,207 bpd in Q3 2022 from 1,515 bpd in Q3 2021 as area activity led to the resumption of pipeline water at the Tioga and Watford SWD facilities.

For the nine months ended September 30, 2022, fluid disposal revenues increased 35% to \$5,975,000 from \$4,416,000 in the same period last year, also due to the higher flowback and pipeline volumes. Flowback pricing also increased 18% for the nine months ended September 30, 2022, due to storm related flood water, which commands a higher price.

Other revenue which includes recoveries from joint venture operations increased to \$129,000 and \$275,000 for the three and nine months ended September 30, 2022, respectively, from \$71,000 and \$197,000 for the three and nine months ended September 30, 2021, respectively. The increase is mainly due to fees charged by the Corporation for administration of the Epping second well project in accordance with the Epping LLC Operating Agreement.

Operating Expenses:

In response to improving market conditions in 2022, the Company has returned field staffing to pre-COVID levels. This has required an increase in hourly rates and salaries 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 29% to \$1,902,000 for Q3 2022, before applying a credit of \$326,000 for payroll tax refunds relating to prior periods. Including this credit, operating expenses increased 6% to \$1,576,000 in Q3 2022 from \$1,480,000 in Q3 2021. For the nine months ended September 30, 2022, operating expenses increased 22% over the comparable 2021 nine-month period, before the aforementioned payroll tax credits of \$463,000 relating to prior periods. This 22% increase is due to the 16% increase in disposal volumes, a return to full staffing levels and inflationary pressures on all input costs.

Please see **REVENUE AND OPERATING INCOME (LOSS) BY FACILITY** on Page 7 for additional information.

Alberta

As described more fully on Page 15 under **Canada – Clairmont Terminal**, the Corporation sold the Clairmont Terminal (“Terminal”) effective October 1, 2022, as it has operated at a loss since the commissioning of the Butane Blending Skid eighteen months ago. The transaction closed on October 14, 2022, with net proceeds to White Owl of \$1,250,000. The closing of this transaction will allow management to focus more attention on the active North Dakota market where drilling and completion activity is forecast to be strong during 2023.

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The net proceeds of the sale will be allocated towards abandonment and reclamation costs for the shut-in oilfield which remains with White Owl.

Operating Results:

Q3 2022 operating loss for the Terminal and the fixed costs associated with the Clairmont shut-in oilfield, totaled \$37,000, compared to an operating loss of \$233,000 for Q3 2021 when the Terminal was building its customer base. For the nine months ended September 30, 2022, White Owl recorded an operating loss of \$447,000 compared to \$767,000 in the prior year nine-month period.

REVENUE AND OPERATING INCOME (LOSS) BY FACILITY

(\$000's)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	%	2022	2021	%
Oilfield waste disposal and oil sales						
New Town	1,690	974	74%	4,602	2,767	66%
Watford City	643	646	0%	2,057	1,904	8%
Ross	1,067	483	121%	2,963	1,284	131%
Alexander	109	-	100%	252	13	1838%
Tioga JV	336	178	89%	1,496	500	199%
Epping	125	122	2%	391	356	10%
Clairmont Terminal	316	177	79%	808	278	191%
	4,286	2,580	66%	12,569	7,102	77%
Other revenue	129	71	82%	275	197	40%
Total revenue	4,415	2,651	67%	12,844	7,299	76%
Operating income (loss)						
New Town	981	402	144%	2,655	1,080	146%
Watford City	265	311	-15%	989	861	15%
Ross	598	217	176%	1,930	572	237%
Alexander	62	(68)	-191%	4	(192)	-102%
Tioga JV	168	25	572%	944	168	462%
Epping	8	36	-78%	102	106	-4%
Clairmont Terminal	(37)	(233)	-84%	(447)	(767)	-42%
Employee Retention Credit (prior periods) ⁽²⁾	312	-	100%	446	-	100%
	2,357	690	242%	6,623	1,828	262%
Other revenue	129	71	82%	275	197	40%
Combined operating income ⁽¹⁾	2,486	761	227%	6,898	2,025	241%

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

(2) Credits received under the US federally funded Employee Retention Credit Program and relating to the 2020 year and Q1 2021. This program was discontinued in Q4 2021.

New Town SWD Facility

Environmental and Safety:

There were no spills, environmental incidents, or safety incidents for the three and nine months ended September 30, 2022. In previous reports, we indicated that there were minor sprays from the top of the De-sand Tank and that an extensive effort to clean out scale inside the tank and in lines connected to the tank was

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completed in the second quarter. Since this cleanout was completed, there have not been any sprays from the top of the De-sand Tank.

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 to clean up the contamination under pump skid #1 is expected to be completed in 2023. Other environmental-related projects for the facility include the replacement of the earthen berm around the tank farm with a steel berm to provide better containment protection. Also, the site collection pond will be upgraded to handle more runoff and will be lined to prevent seepage.

Operating Income:

For the three and nine months ended September 30, 2022, operating income more than doubled to \$981,000 and \$2,655,000, respectively, from \$402,000 and \$1,080,000, respectively, for the prior year comparable periods. The significant improvement in this facility's operating income is due to a more than three-fold increase in recovered oil revenues.

Volumes:

Throughout Q3 2022, fluid disposal volumes consistently remained between 14,000 bpd to 15,000 bpd, averaging 14,719 bpd for the quarter, a 9% increase over 13,515 bpd recorded for Q3 2021. For the nine months ended September 30, 2022, fluid disposal volumes have ranged between 7,000 bpd and 15,000 bpd, averaging 12,472 bpd, unchanged from 12,464 bpd for the nine months ended September 30, 2021. The lower end of the range is attributable to interruptions to operations in April and May caused by late winter storms, while the upper end of the range is due to increases in area activity.

The New Town SWD facility has the highest oil recovery and sales of any White Owl SWD, with oil recovery in the third quarter varying between 2,200 to 3,100 barrels per month. The higher recovery in oil volumes is mainly due to the higher oil content in initial production water from recently completed wells. For Q3 2022, recovered oil volumes have more than doubled to 7,909 barrels from 3,140 barrels for Q3 2021, while for the nine months ended September 30, 2022, recovered oil volumes doubled to 22,477 barrels from 11,225 barrels for the nine months ended September 30, 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 74% and 66% to \$1,690,000 and \$4,602,000, respectively, for the three and nine months ended September 30, 2022, respectively, from \$974,000 and \$2,767,000, respectively, in the prior year comparable periods. The improvement in revenues is mainly due to higher oil volumes and pricing.

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The significantly improved recovered oil volumes combined with higher oil pricing resulted in oil revenues increasing more than three-fold to \$859,000 and \$2,486,000 for the three and nine months ended September 30, 2022, respectively, over the comparable 2021 periods. For the nine months ended September 30, 2022, the netback price increased 56% to US\$86.21 per barrel from US\$55.34 per barrel in the prior year nine-month period.

Production water revenues increased 10% in Q3 2022 over Q3 2021, matching the 9% increase in disposal volumes, while for the nine months ended September 30, 2022, production water revenues remained relatively flat. Flowback revenues are not a major contributor to revenues at this site due to low pricing charged by area competitors.

Operating Expenses:

For the nine months ended September 30, 2022, inflationary pressures have impacted materials and labour costs, with most suppliers increasing prices by at least 10%, year over year. In addition, 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 24% and 15% to \$709,000 and \$1,947,000 respectively, for the three and nine months ended September 30, 2022, respectively.

Watford City SWD Facility

Environmental and Safety:

There were no environmental or safety incidents for the three and nine months ended September 30, 2022.

Operating Income:

For the nine months ended September 30, 2022, operating income increased 15% to \$989,000 from \$861,000 in the prior year comparable period, as a 50% increase in oil revenues more than offset a 13% decrease in fluid disposal revenues between the two periods.

For Q3 2022, operating income decreased 15% to \$265,000 from \$311,000 in Q3 2021 as higher oil revenues (up 14%) were more than offset by lower fluid disposal revenues (down 12%) and higher operating costs (up 13%).

Volumes:

There are several rigs operating in the Watford City area, with producers expected to complete several wells in the fourth quarter subject to the availability of fracking crews. As a result, flowback and production water volumes may increase in the fourth quarter as a result of these activities. In particular, for the first time since 2020, the owner of the pipeline into the facility resumed delivery of production water in August 2022 and this is expected to continue, although on a sporadic basis.

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For the nine months ended September 30, 2022, recovered oil volumes decreased 7% to 7,548 barrels from 8,096 barrels in the comparable 2021 nine-month period due to lower disposal volumes (down 19%). For Q3 2022, recovered oil volumes decreased 16% to 2,097 barrels from 2,482 barrels in Q3 2021 due to lower trucked-in volumes (down 35% between the two quarters) and flowback volumes (down 34% between the two quarters). As mentioned above, oil rich flowback volumes are expected to increase in the months ahead from producers' well completion activities, which should result in increased oil volume sales.

For the three and nine months ended 2022, fluid disposal volumes decreased 20% and 19% to 6,392 bpd and 6,638 bpd, respectively, from 8,022 bpd and 8,147 bpd, respectively, for the comparable 2021 periods. The decrease is mainly attributable to the diversion of production water to well completion activities by area producers.

Revenues and Pricing:

For the nine months ended September 30, 2022, total revenues at the Watford City SWD increased 8% to \$2,057,000 from \$1,904,000 for the comparable 2021 nine-month period as the 50% increase in recovered oil revenues to \$868,000 more than offset lower fluid disposal revenues. Flowback pricing increased by 30% year over year due to higher prices charged for disposing of storm-related ground water in the second quarter, while trucked-in production water has remained flat.

For Q3 2022, total revenues remained flat at \$643,000 as lower fluid disposal revenues offset higher oil revenues. The lower fluid disposal revenues are mainly due to the diversion of production water to fracking activities, as discussed previously.

Operating Expenses:

In 2022 to date, cost increases due to inflationary pressures were mostly offset by lower variable operating costs due to the reduced level of disposal volumes. As a result, operating costs increased 2% to \$1,068,000 for the nine months ended September 30, 2022, from \$1,043,000 for the 2021 comparable nine-month period. In Q3 2022, operating costs increased 13% mainly due to higher chemical and filter costs incurred in the quarter.

Ross SWD Facility

Environmental and Safety:

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

Operating Income:

The Ross SWD facility recorded significantly improved operating income for the three and nine months ended September 30, 2022, compared to the comparative 2021 three and nine-month periods.

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For the nine months ended September 30, 2022, operating income increased more than three-fold to \$1,930,000 from \$572,000 in the 2021 comparable period, mainly due to higher trucked-in water disposal revenues (up more than two-fold), higher flowback revenues (up almost five-fold) and higher oil revenues (up two-fold).

For the three months ended September 30, 2022, operating income at the Ross SWD more than doubled to \$598,000 from \$217,000 in Q3 2021, mainly due to significantly higher trucked-in water disposal revenues (up more than two-fold), higher flowback revenues (up more than three-fold) and higher oil revenues (up 81%).

Volumes:

For the three and nine months ended September 30, 2022, fluid disposal volumes increased 142% and 141%, respectively, to 7,448 bpd and 5,819 bpd, respectively, from 3,076 bpd and 2,413 bpd for the comparable periods in 2021. The increased activity in the area since mid-2021 has led to the increased disposal volumes for this site. In particular, increased activity by area producers has led to oil-rich flowback volumes increasing four-fold to 1,051 bpd for the nine months ended September 30, 2022, from 266 bpd for the 2021 comparable nine-month period. Flowback volumes are expected to remain strong relative to historical levels because well completions by area producers are expected to continue.

The increased flowback volumes led to recovered oil volumes increasing 36% to 4,781 barrels in Q3 2022 from 3,511 barrels in Q3 2021, while for the nine months ended September 30, 2022, oil volumes increased 21% to 14,411 barrels from 11,953 barrels in the same period last year.

Revenues and Pricing:

Total revenues more than doubled to \$1,067,000 in Q3 2022 from \$483,000 in Q3 2021, and to \$2,963,000 for the nine months ended September 30, 2022, from \$1,284,000 in the nine months ended September 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 in 2022, with the netback price for recovered oil sales increasing 65% to US\$89.07 per barrel for the nine months ended September 30, 2022, from US\$53.89 per barrel in the prior year comparable period. Flowback water pricing increased 16% to US\$1.30 per barrel for the nine months ended September 30, 2022, from US\$1.12 per barrel for the comparable 2021 nine-month period due to the receipt of higher priced storm-related flood water volumes in the second quarter.

Operating Expenses:

Operating expenses increased 45% to \$1,033,000 for the current year nine-month period from \$712,000 for the prior year comparable period due to the increased fluid disposal volumes in 2022 (up 141% for the nine months ended September 30, 2022, over the 2021 comparable nine-month period). In Q3 2022, operating costs increased 76% to \$469,000 from \$266,000 in Q3 2021 mainly due to increased labour costs and the replacement and installation of charge pumps and injection filters, as well as the higher fluid disposal volumes.

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Alexander Class 1 Facility

White Owl's Class 1 water disposal business was established in 2019 with the conversion of the underutilised Alexander Class 2 SWD 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, White Owl believes that many generators of Class 1 non-hazardous industrial fluids continue to use Class 2 facilities for disposal. This practice should decline over time as 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 only two permitted Class 1 facilities in North Dakota. During 2022 the customer base expanded due to the growing recognition by Class 1 waste generators that a local Class 1 disposal service is readily accessible in western North Dakota. The alternatives for waste generators are unauthorised disposal in Class 2 facilities or shipping to Class 1 treatment facilities in adjoining States.

Environmental and Safety:

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

Volumes:

The second and third quarters of 2022 were significantly busier compared to the previous fifteen months during which volumes were low due to drought conditions in North Dakota. The late winter storms of April and May 2022 were followed by heavy spring rains and resulted in 18,534 barrels of water disposal volumes in Q3 2022 compared to 19,560 barrels in Q2 2022. Nearly all the waste was leachate from landfills. In Q4 2022, we anticipate declining volumes due to cold weather, although during October and November we are servicing landfill operators who are currently emptying their leachate ponds. Winter volumes are generally lower and normally come from industrial generators with wash bay and truck wash-out facilities.

Operating Income:

For the three and nine months ended September 30, 2022, the Alexander facility recorded operating income of \$62,000 and \$4,000, respectively, compared to operating losses of \$68,000 and \$192,000 for the three and nine months ended September 30, 2021, respectively.

Tioga SWD JV Facility

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.

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Environmental and Safety:

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

Operating Income:

The significant increase in operating income at the Tioga SWD facility for the three and nine months ended September 30, 2022, was a result of improved market conditions. For Q3 2022, operating income increased six-fold to \$168,000 from \$25,000 in Q3 2021, while for the nine months ended September 30, 2022, operating income increased more than five-fold to \$944,000 from \$168,000 in the prior year comparable period.

Volumes:

The increase in fluid disposal volumes to 5,753 bpd in Q3 2022 from 2,906 bpd in Q3 2021 and to 7,097 bpd for the nine months ended September 30, 2022, from 2,760 bpd in the prior year nine-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 has been delivering pipeline volumes to the plant since March 2022, after an eighteen-month period of no pipeline volumes.

Flowback volumes averaged 1,304 bpd for the nine months ended September 30, 2022, a four-fold increase from 314 bpd in the prior year comparable period. This oil-rich fluid has resulted in recovered oil volumes increasing 90% to 13,906 barrels for the nine months ended September 30, 2022, from 7,316 barrels in the prior year comparable nine-month period.

However, since August 2022, fluid disposal volumes (trucked and pipeline water and flowback) have decreased to approximately 5,000 bpd from 7,000 bpd. This reduction in volume is due to a change of operatorship on local wells with a significant customer entering into an operating agreement with its joint venture partner who has its own disposal wells. As a result, flowback volumes decreased to average 300 bpd in August and September 2022 from 1,600 bpd during the previous seven months. Absent new activity in the area the current level of fluid disposal volumes average of 5,000 bpd level is expected to continue and this will also impact oil recoveries.

Revenues and Pricing:

Revenue tripled to \$1,496,000 for the nine months ended September 30, 2022, from \$500,000 for the nine months ended September 30, 2021, in line with the increased fluid disposal volumes (up 157%), recovered oil volumes (up 90%) and higher oil pricing (up 62%). In Q3 2022, total revenue increased 89% to \$336,000 from \$178,000 in Q3 2021, which again is in line with higher fluid disposal volumes (up 98%).

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Contributing to the higher revenues was the oil netback price which increased 62% to average US\$90.61 per barrel for the nine months ended September 30, 2022, from US\$55.96 per barrel in the prior year comparable nine-month period, while fluid disposal pricing remained flat.

Operating Expenses:

Increased labour costs and disposal volumes resulted in operating expenses increasing 66% to \$552,000 for the nine months ended September 30, 2022, from \$332,000 for the comparable nine-month period in 2021. The increase in operating expenses is less than the 157% increase in fluid disposal volumes year over year due to the fixed component of the operating cost structure.

Epping SWD Facility

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

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, which is effective upon commissioning of the second well in November 2022. White Owl earned this increased working interest by funding an additional portion of the second well’s capital costs.

Environmental and Safety:

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

Operating Income:

For the nine months ended September 30, 2022, operating income decreased 4% to \$102,000 from \$106,000 for the comparable 2021 nine-month period, mainly due to higher repairs and maintenance costs which also led to Q3 2022 operating income decreasing to \$8,000 from \$36,000 in Q3 2021.

Volumes:

Volumes at the Epping JV SWD are limited by the approximate 6,500 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 November 2022.

For the nine months ended September 30, 2022, fluid disposal volumes increased 3% to 5,763 bpd from 5,582 bpd for the nine months ended September 30, 2021. Third quarter disposal volumes were similar at 5,652 bpd compared to 5,850 bpd in Q3 2021.

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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 nine months ended September 30, 2022, recovered oil volumes totaled 205 barrels and 1,012 barrels, respectively, compared to 192 and 1,080 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 10% to \$391,000 for the nine months ended September 30, 2022, from \$356,000 for the nine months ended September 30, 2021, mainly due to higher fluid disposal revenues (volumes up 3%) and increased oil pricing (up 63%) in the current nine-month period, more than offsetting the 6% decrease in recovered oil volume sales. In Q3 2022, total revenues remained flat at \$125,000 compared to \$122,000 in Q3 2021 as higher oil volumes (up 7%) and oil pricing (up 40%) was offset by lower disposal volumes (down 7%) and disposal revenues.

Pricing for trucked water, pipeline water and flowback has remained flat over the past year at this facility.

Operating Expenses:

For Q3 2022, operating expenses increased 36% to \$117,000 from \$86,000 in Q3 2021, mainly due to an expenditure of \$44,300 in September 2022 on injection pump repairs. This repair cost also led to operating expenses increasing 16% to \$289,000 for the nine months ended September 30, 2022, from \$250,000 for the prior year comparable nine-month period.

Epping Second Well:

Drilling and completion of the second Epping injection well was completed on October 12, 2022, with the project taking over three weeks longer than scheduled. The associated pipeline was completed on October 29, 2022. An injectivity test was performed on the well in October with good results, however it will require several months of operation to ascertain the true injection capacity of the well.

During drilling of the well, significant sub-surface issues were encountered, which resulted in drilling delays and added costs for rig time and invert drilling mud. The well was completed successfully but with a significant cost over-run on the drilling portion of the authorization for expenditure. All in all, the gross project cost is estimated at US\$4.5 million of which White Owl's share is US\$1.6 million, or US\$0.5 million higher than the original estimate for White Owl's cost.

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Canada - Clairmont Terminal

During the eighteen months since commissioning of the Butane Blending Skid the Terminal continued to operate at a loss. Although White Owl's marketing partner, Pivotal Energy Partners ("Pivotal") was slowly building the business, White Owl was unwilling to continue funding the losses and effective October 1, 2022, the Corporation sold the Terminal and four associated wells to Pivotal. During the first nine months of the year, the Terminal itself operated close to breakeven, however White Owl continued to incur losses due to the revenue sharing agreement with Pivotal, under the terms of which White Owl covered 100% of the operating costs. When the revenue sharing agreement was put in place, the parties expected much higher processing and disposal volumes than were seen during the first nine months of 2022.

The transaction closed on October 14, 2022, with net proceeds to White Owl of \$1,250,000. The closing of this transaction will allow management to focus more attention on the active North Dakota market where drilling and completion activity is forecast to be strong during 2023. The net proceeds of the sale will be allocated towards abandonment and reclamation costs for the shut-in oilfield which remains with White Owl.

Environmental and Safety:

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

Operating Results:

Q3 2022 operating loss for the Terminal and the fixed costs associated with the Clairmont shut-in oilfield, totaled \$37,000, compared to an operating loss of \$233,000 for Q3 2021 when the Terminal was building its customer base. For the nine months ended September 30, 2022, White Owl recorded an operating loss of \$447,000 compared to \$767,000 in the prior year nine-month period.

Well Abandonments:

During the nine months ended September 30, 2022, White Owl abandoned two suspended oil wells for a total cost of \$232,000. 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 oilfield adjacent to the Terminal was permanently shut-in by White Owl in 2019. After the Terminal sale, 28 wellbores remain of which two were abandoned by previous owners and six were abandoned by White Owl, leaving 19 wellbores to be abandoned. As stated above, White Owl will allocate the net proceeds from the sale of the Terminal and the deposit with the Alberta Energy Regulator towards abandonment and reclamation costs for the shut-in oilfield.

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OTHER REVENUE

Other revenue includes operational, administration and capital fees charged by White Owl for services provided by White Owl to the Tioga JV and Epping JV. For the three and nine months ended September 30, 2022, other revenue increased to \$129,000 and \$275,000, respectively, from \$71,000 and \$197,000 for the comparable 2021 periods, respectively. The increase in other revenue is mainly due to fees charged by the Corporation for administration of the Epping second well project in accordance with the Epping LLC Operating Agreement.

G&A EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
(\$000's)	2022	2021	2022	2021
Salaries and management	320	250	914	710
Professional fees	130	27	318	105
Travel and related expenses	27	15	64	36
General office expenses	84	61	229	142
Third party consulting fees	9	24	52	60
Lease liability recoveries	-	(3)	-	(9)
	570	374	1,577	1,044

For the three and nine months ended September 30, 2022, salaries and management expenses increased to \$320,000 and \$914,000, respectively, mainly due to increased labour costs and the inclusion of Canadian Emergency Wage Subsidy (“CEWS”) credits in the prior year comparable periods. Professional fees increased to \$130,000 and \$318,000 for the three and nine months ended September 30, 2022, respectively, from \$27,000 and \$105,000 for the three and nine months ended September 30, 2021, respectively, due mainly to legal and advisory costs related to the ongoing strategic alternatives process. This process was completed in November 2022.

General office expenses increased to \$84,000 and \$229,000 for the three and nine months ended September 30, 2022, respectively, from \$61,000 and \$142,000 for the 2021 comparable periods, respectively, mainly due to higher corporate insurance premiums and the inclusion of Canadian Emergency Rent Subsidy (“CERS”) credits in the prior year periods. Both the CEWS and the CERS programs were terminated by the Canadian government in Q4 2021.

DEPRECIATION

Depreciation for the three and nine months ended September 30, 2022, totaled \$436,000 and \$1,271,000, respectively, virtually unchanged from \$423,000 and \$1,273,000 for the three and nine months ended September 30, 2021, respectively.

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IMPAIRMENT

As at September 30, 2022, White Owl evaluated its property, plant and equipment for indicators of any potential impairment or related reversal. As a result of this assessment, no indicators were identified, and no impairment or related reversal was recorded on White Owl's property, plant and equipment assets for the three and nine months ended September 30, 2022.

FINANCE COSTS

(\$000's)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Interest on long-term debt	180	-	509	
Interest on term loan	-	155	-	466
Interest on promissory notes, loans payable and mortgage payable	6	11	19	32
Interest on lease liabilities	4	4	10	14
Accretion of decommissioning obligations	33	22	80	58
Accretion of transaction costs	35	-	101	-
Interest (income) expenses bank charges and other	39	(41)	22	(7)
	297	151	741	563

For the three and nine months ended September 30, 2022, the Company's average interest rate on the lender's long-term debt was 6.95% and 6.75%, respectively. Effective March 7, 2022, the interest on the outstanding principal balance was adjusted by the Company for one year to the US dollar fixed interest rate plus 1.50%. The next interest adjustment date for the fixed interest rate is March 1, 2023.

FOREIGN EXCHANGE GAINS AND LOSSES

For the three and nine months ended September 30, 2022, the Company recorded foreign exchange losses of \$825,000 and \$1,034,000, respectively, compared to \$267,000 and \$92,000 for the 2021 comparable periods, respectively. The foreign exchange gains and losses reflect the impact of changes in exchange rates on US dollar cash balances and short-term intercompany loans. The average exchange rate for the three and nine months ended September 30, 2022, was 1.3061 and 1.2830, respectively, compared to 1.2601 and 1.2516 for the three and nine months ended September 30, 2021, respectively.

SHARE-BASED PAYMENTS

Share-based payments relate to the amortization of the fair value of stock options issued to management, employees and directors of the Company. For the three and nine months ended September 30, 2022, the Company recorded share-based payments of \$23,000 and \$51,000, respectively, compared to \$21,000 and \$70,000 for the 2021 comparable periods, respectively. The decrease between the nine-month periods is due to the expiry of stock options in 2021 issued to management, employees and directors of the Company.

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SUMMARY OF QUARTERLY RESULTS

(\$000's)	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Revenue	\$4,415	\$4,625	\$3,804	\$3,271	\$2,651	\$2,418	\$2,230	\$2,380
EBITDA ⁽¹⁾	1,916	2,051	1,355	646	387	469	125	195
Net income (loss)	325	919	1,340	135	(39)	276	(427)	(138)

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

The decrease in net income for Q3 2022 to \$325,000 from \$919,000 for Q2 2022 is mainly due to unrealized foreign exchange losses. The decrease in net income in Q2 2022 to \$919,000 from \$1,340,000 in Q1 2022 is mainly due to the recording in Q1 2022 of a gain of \$511,000 relating to the forgiveness of the second PPP loan. The increase in net income to \$1,340,000 in Q1 2022 from \$135,000 in Q4 2021 is mainly due to higher oil revenues resulting from increased oil volumes (up 50% quarter over quarter) and oil pricing (up 23% quarter over quarter). The net loss of \$39,000 in Q3 2021 decreased from net income of \$276,000 in Q2 2021 partly due to the recording of \$79,000 for tank clean out costs (a one in three-year event) and \$54,000 for well workover costs (a one in five-year event) in Q3 2021 and the recording of a gain on sale of property, plant and equipment of \$420,000 in Q2 2021. The net losses in Q1 2021 and Q4 2020 were mainly due to lower commodity pricing and oilfield activity caused by the COVID pandemic.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they become due. The Company manages its liquidity risk through cash and debt management combined with equity financing when available. Management's assessment of the Company's liquidity reflects estimates, assumptions and judgments relating to current market conditions. The Company funds its operations, acquisitions and capital program through a combination of cash from operating activities, equity, bank debt, loans payable and promissory notes. The Company's objective in the management of its capital resources is to secure adequate sources of capital to fund capital investments, while ensuring that sufficient operating cash flow is available to sustain and grow the operating business.

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MANAGEMENT DISCUSSION OF FINANCIAL RESULTS – Q3 2022

Investing Activities

(\$000's)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Capital expenditures	810	36	1,102	266

Capital Expenditures:

Capital expenditures for the three and nine months ended September 30, 2022, include \$667,000 and \$807,000, respectively, for Epping second well and related pipeline construction costs, while the balance relates to North Dakota facility site upgrades and additions to spare parts inventory.

Financing Activities

Share Capital:

Shares issued and outstanding (000's)	Common shares	Amount (\$000)	Preferred shares	Amount (\$000)	Total	Amount (\$000)
Balance December 31, 2021, and September 30, 2022	65,633	\$21,118	26,469	\$12,353	92,102	\$33,471

As at September 30, 2022, there were 4,000,000 (December 31, 2021 – 4,000,000) common shares held in escrow.

Share Options

There were 7,274,000 share options outstanding as of September 30, 2022 (December 31, 2021 – 4,904,000), with a weighted average exercise price of \$0.06 per share.

Long-Term Debt and Operating Loan

Long-Term Debt:

On October 14, 2021, the Company entered into an agreement with a new senior lender (“loan agreement”) for a US\$7,700,000 loan to facilitate the repayment of the term loan due on or before December 31, 2021, to its previous lender and for working capital growth. In December 2021, the Company received the full amount of \$9,868,320 (US\$7,700,000) to repay the term loan. The new long-term debt matures September 1, 2028, and bears interest on the outstanding principal balance, payable monthly, at the US dollar floating base rate plus 1.50%. Effective March 7, 2022, the interest on the outstanding principal balance was adjusted by the Company for one year to the US dollar fixed interest rate plus 1.50%. The next interest adjustment date for the fixed interest rate is March 1, 2023. A one-time principal payment of US\$107,260 is due October 1, 2022, with subsequent monthly principal payments of US\$106,940 due until maturity. Commencing April 2023, additional annual principal payments will be required for 50% of excess cash flow (“ECF”) realized by White Owl to a maximum of US\$500,000. The annual ECF limit is calculated as EBITDA less US\$350,000 of

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maintenance capital expenditures and principal and interest payments on long-term debt and operating loan. The annual ECF principal payment is only due up to the amount that would not cause the Company to be in default with the debt covenants and financial requirements of the Company's lenders. In addition, starting December 31, 2022, the Company is required to maintain at all times a fixed coverage ratio equal to or greater than 1.25:1.00. The Company incurred \$550,916 in transaction costs related to the issuance which will be amortized over the term of the loan using the effective interest method.

Operating Loan:

On October 18, 2021, the Company entered into a US\$1,000,000 demand operating loan ("operating loan") agreement with an additional lender which replaced the Company's previous operating facility. The operating loan is a revolving demand facility bearing interest, payable monthly, at the US prime rate plus 2.25%. The total outstanding on the operating loan will not at any time exceed the lesser of the margin requirements as defined in the loan agreement and US\$1,000,000. As at September 30, 2022, the Company's borrowing limit under the operating loan was US\$1,000,000 (December 31, 2021 - US\$791,782). The Company had drawn \$nil on the operating loan at September 30, 2022 (December 31, 2021 – \$nil).

The following are the financial covenants governing the operating loan, all capitalized terms are defined in the operating loan agreement:

- Four quarter trailing Cash Flow Coverage Ratio of not less than 1.25:1.00
- Annual Debt to Tangible Net Worth Ratio not greater than 3.00:1.00
- Annual Current Ratio not less than 1.25x

As at September 30, 2022 and December 31, 2021, the Company was compliant with all covenants provided for in the operating loan agreement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

White Owl's operations and facilities are subject to rigorous environmental regulations and health and safety laws 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, the Company will focus on factors that determine the Company's impact on the environment, in both positive and negative ways, including waste generation, 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.

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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

Despite a sizeable drop in recoverable resources, U.S. oil production is expected to remain strong in 2023, even as output grows more slowly than anticipated amid increased costs and labor shortages in both the Permian and Bakken regions. US oil production is expected to increase by 840,000 bpd in 2023, down from a prior forecast of 860,000 bpd, according to the US Energy Information Administration.

For North Dakota, production and activity in the Bakken is forecast to increase marginally. Although environmental and legal issues around the Dakota Access Pipeline create uncertainty and remain a challenge, a greater concern is that the sweet spot in the Bakken may soon be reaching maximum infill development potential. Higher oil prices and the resulting increased customer activity, however, may extend the aerial extent of the Tier 1 sweet spot acreage adding years to the drilling and development window. Despite this concern, many of White Owl's major customers indicate that they have over 10 years of Tier 1 drilling inventory remaining at current commodity prices. Accordingly, a recent *World Oil* operator survey, forecasts that drilling in the Bakken will be up 4% in 2023 (the addition of 2 rigs would take the rig count to just under 50 rigs).

On a more macro level, there seems to be a growing recognition in the industry that absent a severe recession, we are in the beginnings of a sustainable period of higher but volatile oil prices. This encouraging market sentiment is being further supported by industry analysts who reference the combination of political headwinds, global conflicts and the continued decline in US crude oil inventories.

US Bakken Activity

North Dakota is ranked as the 2nd biggest oil producer in the US and hosts some of North America's largest oil and gas producers. The major Bakken producers in North Dakota are all White Owl customers and include Hess Corporation, Marathon Oil, XTO Energy, Ovintiv Energy, Chord Energy, Enerplus Corporation, Conoco

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Phillips, Continental Resources, Grayson Mill Operating and Devon Energy. White Owl provides produced water and completion fluids disposal services for liquid waste generated by the drilling, completion and production activity of these customers in the North Dakota Bakken.

For these companies, the extent of capital investment over the next few years will be defined by the capital markets' reluctance to invest in the oil and gas industry, and consumer and investor perceptions about the speed with which oil and gas should or can be replaced. As a result, we expect continued volatility in oil prices and a cautious approach to new drilling and completion activity around White Owl SWDs in the Bakken.

White Owl's facilities perform best when there is active drilling and completion activity within 25 miles of the SWD locations and there are currently 45 drilling rigs and 13 completion crews operating in the North Dakota Bakken. With the exception of Dunn County which is very active and where White Owl currently has no presence, most of the activity is in areas of Tier 1 acreage within trucking distance to White Owl's SWD network.

In September the North Dakota Pipeline Authority reported production of 1,069,517 bpd of oil and 3,102,327 mcf/d of natural gas for North Dakota. Oil production is up slightly from our 2nd quarter report but natural gas on the other hand is up over 10% from the 2nd quarter report. The Bakken is becoming more "gassy."

With rig activity fairly stable at around 45 rigs, we anticipate that 2023 will show some growth in income. Our forecast is very much influenced by recovered oil sales which represented 40% of revenue at an average WTI price of US\$91.54 per barrel during the 3rd quarter. A significant variance in WTI pricing up or down would have a substantial influence on Q4 2022 and 2023 financial results. Absent a large increase in oil prices to say over \$100 per barrel, we are looking at 2023 as a continuation of 2022 activity with marginal growth.

Corporate Review

During the 3rd quarter, the Company continued to work with Sequeira Partners to manage a strategic review process which has resulted in the sale of the Alberta midstream business at Clairmont, effective October 1, 2022. White Owl received proceeds of \$1.25 million, net of costs, and these funds will be reserved for the abandonment of the remaining suspended wells in the associated oilfield. This work is scheduled to be completed over the next 24 months.

Although consideration was given to a sale of the US business, the market multiples being paid by potential acquirers at that time were considered below value by both Sequeira Partners and the Board of Directors. The board therefore decided to maximize the value of the business in North Dakota, continue to pay down debt and continually review strategic alternatives at a later date.

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NON-GAAP MEASURES

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

FORWARD-LOOKING INFORMATION

This discussion contains forward-looking information, which is disclosure regarding possible events, conditions or financial performance that is based on assumptions about future courses of action and economic conditions. Such forward-looking information may be identified by words such as "anticipate", "will", "intend", "could", "should", "may", "might", "expect", "forecast", "plan", "potential", "project", "assume", "contemplate", "believe", "budget", "shall", "continue", "milestone", "target", "vision", and similar terms or the negative thereof or other comparable terminology.

The forward-looking information in this discussion is subject to significant risks and uncertainties and is based on a number of material factors and assumptions which may prove to be incorrect, including, but not limited to, the following: corporate strategy; general market conditions; the oil and natural gas industry; activity levels in the oil and gas sector, including market fundamentals, drilling levels, commodity prices for oil and natural gas; demand for the Company's services; operational performance; expansion strategy; debt service; capital expenditures; completion of facilities; the impact of new facilities on the Company's financial and operational performance; future capital needs; and access to capital through equity market and debt markets.

The forward-looking information relies on material assumptions and known and unknown risks and uncertainties, certainty of which are beyond the Company's control. Such risks and uncertainties include, without limitation, the impact of general economic conditions in the United States, Canada and globally; industry conditions; the Company's ability to increase its market share; volatility of commodity prices; delays resulting from an inability to obtain regulatory approvals; an inability to access sufficient capital from internal and external sources; changes in laws and regulations and changes in how they are interpreted and enforced; environmental risks; increased competition; and the lack of qualified personnel or management. Readers are cautioned that the foregoing list of factors and risks are not exhaustive. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the Forward-Looking Statements will transpire or occur. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those

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described, there may be other factors and risks that cause actions, events or results not anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on the forward-looking information, as such information may not be appropriate for other purposes.

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