



November 21, 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 nine months ended September 30, 2022.

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 ("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.



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, 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 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 **OPERATING LOCATIONS** on Page 7.

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. 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.

OPERATING LOCATIONS (dollar amounts in USD except Clairmont):

New Town SWD

		New Town Facility (amounts in USD except volumes)					
		<u>Q3 2022</u>	<u>Q3 2021</u>	<u>Change</u>	<u>YTD 2022</u>	<u>YTD 2021</u>	<u>Change</u>
Production Water - Trucked	b/d	14,652	13,448	9%	12,279	12,424	-1%
Flowback	b/d	66	67	0%	193	40	381%
Total Fluids Disposed	b/d	14,719	13,515	9%	12,472	12,464	0%
Oil Sales	b/qtr, yr	7,909	3,140	152%	22,477	11,225	100%
Revenue:							
Production Water - Trucked		\$630,951	\$574,824	10%	\$1,567,045	\$1,581,545	-1%
Price for Production Water/bbl		0.47	0.46	1%	0.47	0.47	0%
Flowback		6,254	6,136	2%	79,653	10,944	628%
Price for Flowback/bbl		1.02	1.00	2%	1.51	1.00	51%
Recovered Oil		658,320	192,168	243%	1,937,769	621,160	212%
Price for Oil/bbl		83.24	61.20	36%	86.21	55.34	56%
Total Revenue		1,295,525	773,128	68%	3,584,467	2,213,649	62%
Total Revenue/bbl.		\$0.96	\$0.62	54%	\$1.05	\$0.65	62%
Operating Expenses							
		542,959	454,153	20%	1,516,420	1,348,807	12%
Operating Income		\$752,566	\$318,975	136%	\$2,068,047	\$864,842	139%

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 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 \$752,566 and \$2,068,047, respectively, from \$318,975 and \$864,842, 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 68% and 62% to \$1,295,525 and \$3,584,467, respectively, for the three and nine months ended September 30, 2022, respectively, from \$773,128 and \$2,213,649, respectively, in the prior year comparable periods. The improvement in revenues is mainly due to higher oil volumes and pricing.

The significantly improved recovered oil volumes combined with higher oil pricing resulted in oil revenues increasing more than three-fold to \$658,320 and \$1,937,769 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 \$86.21 per barrel from \$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 20% and 12% to \$542,959 and \$1,516,420, respectively, for the three and nine months ended September 30, 2022, respectively.

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Watford City SWD

Watford Facility (amounts in USD except volumes)

		<u>Q3 2022</u>	<u>Q3 2021</u>	<u>Change</u>	<u>YTD 2022</u>	<u>YTD 2021</u>	<u>Change</u>
Production Water - Trucked	b/d	4,861	7,491	-35%	5,914	7,729	-23%
Production Water - Piped	b/d	1,181	0	100%	398	0	100%
Flowback	b/d	349	531	-34%	326	418	-22%
Total Fluids Disposed	b/d	6,392	8,022	-20%	6,638	8,147	-19%
Oil Sales	b/qtr, yr.	2,097	2,482	-16%	7,548	8,096	-7%
Revenue:							
Production Water - Trucked		\$203,097	\$312,918	-35%	\$731,038	\$955,610	-24%
Price for Prodn. Water-Trucked/bbl		0.45	0.45	0%	0.45	0.45	0%
Production Water - Piped		81,513	0	100%	81,513	0	100%
Price for Prodn. Water Piped/bbl		0.75	0.00	100%	0.75	0.00	100%
Flowback		33,284	48,364	-31%	119,892	118,528	1%
Price for Flowback/bbl		1.04	0.99	5%	1.35	1.04	30%
Recovered Oil		172,974	151,721	14%	670,668	448,563	50%
Price for Oil/bbl		82.49	61.13	35%	82.49	61.13	35%
Other Income		0	0	0%	0	0	0%
Total Revenue		490,868	513,003	-4%	1,603,111	1,522,701	5%
Total Revenue/bbl.		0.83	0.70	20%	0.88	0.68	29%
Operating Expenses		288,570	266,285	8%	831,984	833,312	0%
Operating Income		\$202,298	\$246,718	-18%	\$771,127	\$689,389	12%

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 12% to \$771,127 from \$689,389 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 18% to \$202,298 from \$246,718 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 8%).

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.

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 5% to \$1,603,111 from \$1,522,701 for the comparable 2021 nine-month period as the 50% increase in recovered oil revenues to \$670,668 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 decreased 4% to \$490,868 from \$513,003 for Q3 2021 as lower fluid disposal revenues more than 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 remained flat for the nine months ended September 30, 2022, compared to the 2021 comparable nine-month period. In Q3 2022, operating costs increased 8% mainly due to higher chemical and filter costs incurred in the quarter.

Ross SWD

Ross Facility (amounts in USD except volumes)

		Q3 2022	Q3 2021	Change	YTD 2022	YTD 2021	Change
Production Water - Trucked	b/d	6,061	2,644	129%	4,768	2,147	122%
Flowback	b/d	1,388	432	221%	1,051	266	295%
Total Fluids Disposed	b/d	7,448	3,076	142%	5,819	2,413	141%
Oil Sales	b/qtr, yr.	4,781	3,511	36%	14,411	11,953	21%
Revenue:							
Production Water - Trucked		\$278,174	\$121,568	129%	\$649,523	\$293,055	122%
Price for Production Water/bbl		0.50	0.50	0%	0.50	0.50	0%
Flowback		148,329	45,343	227%	371,908	80,938	359%
Price for Flowback/bbl		1.16	1.14	2%	1.30	1.12	16%
Recovered Oil		390,353	215,840	81%	1,283,642	644,089	99%
Price for Oil/bbl		81.65	61.48	33%	89.07	53.89	65%
Other Income		0	0	100%	0	5,600	-100%
Total Revenue		816,856	382,751	113%	2,305,073	1,023,682	125%
Total Revenue/bbl.		1.19	1.35	-12%	\$1.45	\$1.55	-7%
Operating Expenses		358,416	211,059	70%	801,728	566,873	41%
Operating Income (Loss)		\$458,440	\$171,692	167%	\$1,503,345	\$456,809	229%

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.

For the nine months ended September 30, 2022, operating income increased more than three-fold to \$1,503,345 from \$456,809 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 \$458,440 from \$171,692 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 \$816,856 in Q3 2022 from \$382,751 in Q3 2021, and to \$2,305,073 for the nine months ended September 30, 2022 from \$1,023,682 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 \$89.07 per barrel for the nine months ended September 30, 2022 from \$53.89 per barrel in the prior year comparable period. Flowback water pricing increased 16% to \$1.30 per barrel for the nine months ended September 30, 2022, from \$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 41% to \$801,728 for the current year nine-month period from \$566,873 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 70% to \$318,416 from \$211,059 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.

Alexander Class 1 Facility

Alexander Facility (Amounts in USD except volumes)							
		Q3 2022	Q3 2021	Change	YTD 2022	YTD 2021	Change
Class 1 Water-Trucked	b/d	201	0	100%	141	6	2157%
Total Fluids Disposed	b/d	201	0	100%	141	6	2157%
Class 1 Water	b/qtr. yr.	18,534	0	100%	38,439	1,703	2157%
Revenue:							
Class 1 Water		\$83,929	\$0	100%	\$195,319	\$10,078	1838%
Price for Class 1 Water		4.53	0.00	100%	5.08	5.92	-14%
Total Revenue		83,929	0	100%	195,319	10,078	1838%
Total Revenue/bbl.		4.53	0.00	100%	5.08	5.92	-14%
Operating Expenses		35,893	54,187	-34%	194,051	163,896	18%
Operating Income (Loss)		\$ 48,036	\$ (54,187)	-189%	\$ 1,268	\$ (153,818)	101%

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 \$48,036 and \$1,268, respectively, compared to operating losses of \$54,187 and \$153,818 for the three and nine months ended September 30, 2021, respectively.

Tioga SWD JV Facility

Tioga (Volumes 100%, dollar amounts at 47% in USD)							
		<u>Q3 2022</u>	<u>Q3 2021</u>	<u>Change</u>	<u>YTD 2022</u>	<u>YTD 2021</u>	<u>Change</u>
Production Water-Trucked	b/d	3,503	2,686	30%	4,434	2,446	81%
Production Water-Piped	b/d	1,476	0	100%	1,358	0	100%
Flowback	b/d	774	220	252%	1,304	314	316%
Total Fluids Disposed	b/d	5,753	2,906	98%	7,097	2,760	157%
Oil Sales	b/qtr. yr.	2,700	2,477	9%	13,906	7,316	90%
Revenue:							
Production Water - Trucked		\$77,558	\$58,307	33%	\$284,525	\$156,711	82%
Price for Prodn. Water-Trucked/bbl		0.51	0.50	2%	0.50	0.50	0%
Production Water - Piped		33,193	0	100%	90,638	0	100%
Price for Prodn. Water Piped/bbl		0.52	0.00	100%	0.52	0.52	0%
Flowback		42,143	11,727	259%	201,128	49,466	307%
Price for Flowback/bbl		1.26	1.23	2%	1.20	1.23	-2%
Recovered Oil		104,626	71,100	47%	592,229	192,419	208%
Price for Oil/bbl		82.45	61.07	35%	90.61	55.96	62%
Other		0	0	100%	0	0	100%
Total Revenue		\$257,521	\$141,134	82%	1,168,520	398,596	193%
Total Revenue/bbl.		1.04	1.12	-8%	1.28	1.13	14%
Operating Expenses		128,813	121,538	6%	430,090	264,264	63%
Operating Income		\$128,708	\$19,596	557%	\$738,429	\$134,333	450%

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

Environmental and Safety:

There were no environmental or safety incidents in the three and nine months ended September 30, 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 \$128,708 from \$19,596 in Q3 2021, while for the nine months ended September 30, 2022, operating income increased more than five-fold to \$738,429 from \$134,333 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 \$1,168,520 for the nine months ended September 30, 2022, from \$398,596 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 82% to \$257,521 from \$141,134 in Q3 2021, which again is in line with higher fluid disposal volumes (up 98%).

Contributing to the higher revenues was the oil netback price which increased 62% to average \$90.61 per barrel for the nine months ended September 30, 2022, from \$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 63% to \$430,090 for the nine months ended September 30, 2022, from \$264,264 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 JV

Epping (Volumes 100%, Dollar amounts at 32.5% Working Interest in USD)							
		Q3 2022	Q3 2021	Change	YTD 2022	YTD 2021	Change
Production Water-Trucked	b/d	1,521	1,130	35%	1,527	1,058	44%
Production Water-Piped	b/d	4,097	4,663	-12%	4,166	4,419	-6%
Flowback	b/d	35	57	-39%	69	104	-33%
Total Fluids Disposed	b/d	5,652	5,850	-3%	5,763	5,582	3%
Oil Sales	b/qtr. yr.	205	192	7%	1,012	1,080	-6%
Revenue:							
Production Water-Trucked		\$25,462	\$18,156	40%	\$75,040	\$50,920	47%
Price for Production Water/bbl		0.56	0.54	4%	0.55	0.54	2%
Production Water-Piped		63,707	72,506	-12%	192,195	203,900	-6%
Price for Production Water/bbl		0.52	0.52	0%	0.52	0.52	0%
Flowback		1,299	2,134	-39%	10,002	11,901	-16%
Price for Flowback/bbl		1.24	1.26	-1%	1.62	1.29	26%
Recovered Oil		5,536	3,696	50%	28,169	18,435	53%
Price for Oil/bbl		83.09	59.23	40%	85.65	52.52	63%
Other Income		0	0	0%	0	0	100%
Total Revenue		96,003	96,492	-1%	305,406	285,157	7%
Total Revenue/bbl.		0.57	0.55	3%	0.60	0.58	4%
Operating Expenses		89,855	67,467	33%	224,890	200,121	12%
Operating Income		\$ 6,148	\$29,025	-79%	\$80,516	\$85,036	-5%

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 5% to \$80,516 from \$85,036 mainly due to higher repairs and maintenance costs which also led to Q3 2022 operating income decreasing to \$6,148 from \$29,025 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.

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 7% to \$305,406 for the nine months ended September 30, 2022, from \$285,158 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 \$96,003 compared to \$96,492 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 33% to \$89,855 from \$67,467 in Q3 2021, mainly due to an expenditure of \$33,240 in September 2022 on injection pump repairs. This repair cost also led to operating expenses increasing 12% to \$224,890 for the nine months ended September 30, 2022 from \$200,121 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 \$4.5 million of which White Owl's share is \$1.6 million, or \$0.5 million higher than the original estimate for White Owl's cost.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

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, we 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.

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 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 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.

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. Thank you for your commitment and loyalty and for your assistance in achieving strong operating and financial results for the nine months ended September 30, 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.