MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS

For the three and twelve months ended December 31, 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 twelve months ended December 31, 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 March 14, 2023, and should be read in conjunction with White Owl's audited consolidated financial statements for the years ended December 31, 2022 and 2021. 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.

DISCONTINUED OPERATION

On October 14, 2022, the Company closed the disposition of the Clairmont Terminal assets and associated liabilities for $1,400,000 ($1,250,000 net of costs), prior to closing adjustments. The disposition consisted of Clairmont Terminal property, plant and equipment, four associated wells and associated decommissioning liabilities and surface lease liabilities. The Company plans to abandon all of the remaining oil and gas wells at Clairmont in 2023 and complete all reclamation work in the years 2023 to 2025. Effective November 21, 2022, for accounting purposes, the Clairmont remaining assets are considered to be a discontinued operation.

The comparative financial information in the following tables has been re-presented to show the discontinued operation separately from continuing operations.

FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2022 HIGHLIGHTS

Highlights for the three and twelve months ended December 31, 2022, are summarized as follows:

- For the twelve months ended December 31, 2022, EBITDA from continuing operations more than doubled to $7,194,000 from $2,716,000 for the prior year. Q4 2022 EBITDA from continuing operations increased 46% to $1,389,000 from $953,000 in Q4 2021. The significantly improved 2022 EBITDA from continuing operations is due to strong North Dakota operating results with increased fluid disposal volumes (up 17% year-over-year), increased recovered oil volumes (up 35% year-over-year) and higher oil prices (up 49% year over year).

- Fluid disposal volumes at White Owl's Saltwater Disposal ("SWD") facilities have been increasing since the beginning of the current year due to steady drilling and completion activity across North Dakota. At December 31, 2022, there were 45 drilling rigs operating in North Dakota compared to 35 rigs a year ago.
- Q4 2022 fluid disposal volumes increased 22% to average 30,998 barrels per day ("bpd") from 25,462 bpd in Q4 2021, despite severe winter storms in December disrupting operations for several days. For the year ended December 31, 2022, fluid disposal volumes averaged 30,468 bpd, up 17% from 25,971 bpd for the prior year.
- North Dakota recovered oil volumes reached an annual record in 2022, totaling 67,949 barrels for the year, up 35% from 50,447 barrels for 2021 (previous record was 52,934 barrels for 2019). Q4 2022 recorded 16,648 barrels, up 8% from 15,384 barrels for Q4 2021. Oil recovery per barrel of fluid has improved due to higher concentrations of oil in flowback and initial production water volumes and improved oil recovery processes. In 2022, flowback disposal volumes accounted for 8% of fluid disposal volumes compared to 4% in 2021.
- The average realized net oil price ("netback price") received for White Owl's recovered oil volumes increased 44% in 2022 to US$84.70 from US$58.93 for the prior year. A positive North Dakota differential of US$2.45 per barrel for 2022 over the West Texas Intermediate price ("Positive Differential") also benefited the netback price for Q4 2022 and 2022, respectively. For 2021, the differential was negative US$0.95 per barrel.
- In Canada, the Clairmont Terminal and four associated wells were sold in Q4 2022. Net proceeds of the sale were $1,250,000 which will be reserved for abandonment and reclamation costs for the shut-in oilfield wells which remains with White Owl. The closing of this transaction will eliminate the Clairmont operating losses and allow management to focus more attention on the active North Dakota market.
- 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. 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 total project cost is US$1.7 million, or

US$0.6 million higher than the original forecast. The associated pipeline was completed on October 29, 2022. The commissioning of the 2nd injection well results in injection capacity at the Epping JV SWD facility of up to approximately 18,000 bpd, compared to 6,000 bpd previously.

- The Alexander Class 1 facility recorded improved results for 2022 with net operating income of $47,000 for the year compared to an operating loss of $464,000 for 2021. Business improved in 2022 compared to the previous fifteen months when volumes were low due to the regulatory related shut-in of the facility for nine months in 2021.
- General and administrative expenses from continuing operations increased to $2,236,000 for 2022 from $1,495,000 for 2021 due to several factors including the termination in Q4 2021 of government wage and rent subsidy programs, increased professional fees and labour costs (reversal of wage rollbacks followed by wage increases). In addition, temporary discounts received from specific service providers during COVID ceased at the beginning of 2022.

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

($000's, unless otherwise noted)	Three months ended December 31[2], 2022	2021	%	Twelve months ended December 31[2], 2022	2021	%
Continuing operations						
North Dakota operations						
Disposal volumes (Bbls)	**2,851,891**	2,342,576	22%	**11,120,732**	9,479,261	17%
Recovered oil sales volumes (Bbls)	**16,648**	15,384	8%	**67,949**	50,447	35%
Disposal revenue ($ per Bbl)	**$0.81**	$0.77	6%	**$0.75**	$0.66	13%
Oil sales revenue ($ per Bbl)	**$101.40**	$85.78	18%	**$109.99**	$73.88	49%
Operating costs and royalties ($ per Bbl)	**$0.74**	$0.75	-1%	**$0.61**	$0.63	-3%
North Dakota disposal and services revenue						
Disposal revenue	**$2,319**	$1,795	29%	**$8,295**	$6,212	34%
Oil sales revenue	**1,688**	1,319	28%	**7,474**	3,727	101%
Other revenue	**192**	71	170%	**467**	267	75%
Total revenue – North Dakota continuing operations	**4,199**	3,185	32%	**16,236**	10,206	59%
Operating costs	**(2,116)**	(1,766)	20%	**(6,806)**	(5,995)	14%
Operating income[1] – North Dakota continuing operations	**$2,083**	$1,419	47%	**$9,430**	$4,211	124%
General and administrative expenses ("G&A")	**(694)**	(466)	49%	**(2,236)**	(1,495)	50%
EBITDA [1] continuing operations	**$1,389**	$953	46%	**$7,194**	$2,716	165%
Other income and expenses						
Depreciation	**(507)**	(438)	16%	**(1,748)**	(1,686)	4%
Amortization	**(16)**	(14)	14%	**(62)**	(59)	5%
Finance costs	**(217)**	(171)	27%	**(889)**	(678)	31%
Share-based payments	**(17)**	(12)	42%	**(68)**	(82)	-17%
Foreign exchange gain (losses)	**156**	22	609%	**(878)**	(70)	1154%
Gain (loss) on disposal of property, plant and equipment - net	**-**	(36)	-100%	**(6)**	(36)	-83%
Gain on loan payable forgiveness	**-**	-	-	**511**	455	12%
Gain on modification of lease liabilities	**-**	-	-	**-**	12	-100%
Gain (loss) on abandonment	**34**	-	100%	**34**	-	100%
Income tax expense	**(1)**	(1)	0%	**(3)**	(1)	200%
Net income from continuing operations	**$821**	$304	170%	**$4,085**	$571	615%
Loss from discontinued operation	**(48)**	(169)	-72%	**(729)**	(626)	16%
Net income (loss)	**$773**	$135	473%	**$3,356**	($55)	6202%

(1) Refer to "Non-GAAP Measures" for additional information.
(2) Comparative information has been re-presented due to a discontinued operation.

EBITDA from continuing operations for the twelve months ended December 31, 2022, increased 165% to $7,194,000 from $2,716,000 for the prior year, with Q4 2022 EBITDA increasing 46% to $1,389,000 from $953,000 in Q4 2021. North Dakota market conditions improved considerably in 2022, which resulted in higher fluid disposal and record oil recovery volumes for the Corporation. In addition, oil pricing strengthened during most of 2022, although with some softening in the last two months of the year. The average West Texas

Intermediate price ("WTI") increased 39% to US $94.21 per barrel for 2022 from US $67.92 per barrel for 2021, while WTI increased 7% to US $82.65 per barrel for Q4 2022 from US $77.21 per barrel for Q4 2021.

For the three and twelve months ended December 31, 2022, G&A expenses from continuing operations increased to $694,000 and $2,236,000, respectively, from $466,000 and $1,495,000 for the comparable 2021 periods, respectively. The increase is primarily due to the termination in Q4 2021 of Canadian federal government wage and rent subsidy programs, increased professional fees and labour costs (reversal of wage rollbacks followed by wage increases). Professional fees increased mainly due to financial advisory fees related to the sale of the Clairmont Terminal and in advising the Special Committee of the Board of Directors on various strategic option alternatives and the new banking facility.

North Dakota

Operating Income:

The higher fluid disposal revenues (up 34%) and recovered oil revenues (up 101%) more than offset a 21% increase in operating expenses (before a one-time US payroll tax credit of $446,000) and resulted in operating income more than doubling to $9,430,000 for the year ended December 31, 2022, from $4,211,000 for the prior year. Oil sales were a material component of 2022's revenues as higher oil prices (up 49%) and oil volumes (up 35%) led to oil revenues doubling to $7,474,000 for 2022 from $3,727,000 for 2021. In addition, flowback water which commands a higher disposal fee than production water, increased to 8% of fluid disposal volumes for 2022 (2021: 4%), resulting in a three-fold increase in flowback revenues year-over-year. The increase in operating expenses is mainly attributable to the higher disposal volumes (up 17% year-over-year) and higher input costs, especially labour as the SWD facilities were returned to full staffing levels in 2022. In addition, wages increased to attract and retain personnel in a very tight labour market.

Q4 2022 operating income increased 47% to $2,083,000 from $1,419,000 for Q4 2021 as a 32% increase in total revenue to $4,199,000 more than offset a 20% increase in operating expenses.

Volumes:

Since mid-2021, drilling and completion activity across North Dakota has been improving with the rig count increasing over the same period to 45 rigs at December 31, 2022 from 35 rigs a year ago. This increase resulted in increased fluid disposal volumes for the Corporation. Fluid disposal volumes include trucked production and flowback water (New Town, Watford City, Ross, Tioga and Epping facilities), pipeline water (Tioga, Epping and Watford City) as well as non-hazardous industrial water disposed of by the Alexander facility.

The improved activity led to fluid disposal volumes increasing 22% and 17% to 30,998 bpd and 30,468 bpd, respectively, for the three and twelve months ended December 31, 2022, respectively, from 25,462 bpd and 25,971 bpd for the 2021 comparable periods. These increased disposal volumes were achieved not withstanding two major storm events in 2022 (April and December) which impacted operations for several days.

Flowback volumes which are rich in oil content, increased almost three-fold to 3,473 bpd and 2,525 bpd for the three and twelve months ended December 31, 2022, respectively, from 1,185 bpd and 976 bpd for the prior year comparable periods, respectively.

Non-hazardous industrial water disposal volumes are included in total fluid disposal volumes mentioned above and totaled 223 bpd and 162 bpd for the three and twelve months ended December 31, 2022, respectively, compared to negligible volumes in 2021 when the Alexander facility was shut-in for most of the year due to contaminated wastewater, as discussed in previous reports.

Recovered oil volumes increased 35% to 67,949 barrels for the twelve months ended December 31, 2022 from 50,447 barrels for the prior year and is an annual record since the founding of the Corporation; the highest annual oil volume sales previously recorded was 52,934 barrels for 2019. Q4 2022 recovered oil volume sales increased 8% to 16,648 barrels from 15,384 barrels in Q4 2021.

Revenue and Pricing:

As discussed above, oil sales were a material component of 2022 revenues as higher oil prices (up 49%) and oil volumes (up 35%) led to oil revenues doubling to $7,474,000 for 2022 from $3,727,000 for 2021, while Q4 2022 oil revenues increased 28% to $1,688,000 from $1,319,000 for Q4 2021.

White Owl's netback oil price is determined as the WTI average oil price for the month less deductions for trucking costs and taxes and the addition of the Positive Differential (US$2.93 per barrel and US$2.45 per barrel for the three and twelve months ended December 31, 2022, respectively, versus US $0.37 per barrel and negative US$0.95 per barrel for the three and twelve months ended December 31, 2021, respectively). The WTI oil price which has softened in the last two months of 2022, averaged US $82.65 per barrel for Q4 2022, down from US$91.54 per barrel in Q3 2022, US$108.44 in Q2 2022 and US $94.22 per barrel in Q1 2022. WTI averaged US $94.21 per barrel for 2022 compared to US$67.92 per barrel for fiscal 2021, up 39% year-over-year.

For the three and twelve months ended December 31, 2022, fluid disposal revenues increased 29% and 34%, respectively, to $2,319,000 and $8,295,000, respectively from $1,795,000 and $6,212,000 for the three and twelve months ended December 31, 2021.

Fluid disposal revenues also include flowback revenues which tripled to $1,563,000 for 2022 from $490,000 for 2021, as flowback volumes increased 159% year-over-year, while flowback pricing increased 14% year-over-year. Storm related flood water is included in the price calculation for flowback water and commands a higher disposal price than flowback water. Fluid disposal revenues also include Class 1 non-hazardous wastewater disposal revenues of $389,000 for 2022, up significantly from $25,000 for 2021 when the Alexander facility was shut-in for most of the year *(please see Alexander Class 1 Facility on Page 12)*.

Other revenue which includes recoveries from joint venture operations increased to $192,000 and $467,000 for the three and twelve months ended December 31, 2022, respectively, from $71,000 and $267,000 for the three and twelve months ended December 31, 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 and the resulting increased disposal volumes, the Company has returned field staffing to pre-COVID levels. This has required the hiring of personnel and an increase in hourly rates and salaries to attract and retain people in a very tight labour market. The cost of other materials and services has 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 pressures at most locations.

The higher input costs, as well as the increased disposal volumes, led to North Dakota operating expenses increasing 20% to $2,116,000 for Q4 2022 from $1,766,000 for Q4 2021. For the twelve months ended December 31, 2022, operating expenses increased 21% to $7,252,000 from $5,995,000 before the previously mentioned one-time US payroll tax credits of $446,000. This 21% increase is due to the 17% increase in disposal volumes, a return to full staffing levels and inflationary pressures on other input costs. Total North Dakota repairs and maintenance expenses remained flat year-over-year.

Please see **REVENUE AND OPERATING INCOME (LOSS) BY FACILITY** on Page 8 for additional information.

Alberta

As described more fully on Page 17 under **Discontinued Operation - Canada (Clairmont Terminal)**, the Corporation sold the Clairmont 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 the net proceeds to White Owl of $1,250,000 being reserved for abandonment and reclamation costs for the shut-in oilfield which remains with White Owl. The closing of this transaction will allow management to focus more attention on the active North Dakota market.

Effective November 21, 2022, for accounting purposes, the remaining oil and gas assets at Clairmont are considered to be a discontinued operation.

Operating Results:

Q4 2022 operating loss for the Clairmont Terminal and the fixed costs associated with the Clairmont shut-in oilfield, totaled $94,000, compared to an operating loss of $304,000 for Q4 2021 when the Clairmont Terminal was building its customer base. For the twelve months ended December 31, 2022, White Owl recorded an operating loss at Clairmont of $542,000 compared to $1,069,000 in the prior year twelve-month period.

REVENUE AND OPERATING INCOME (LOSS) BY FACILITY

	Three months ended December 31(2),			Twelve months ended December 31(2),		
($000's)	**2022**	2021	%	**2022**	2021	%
Oilfield waste disposal and oil sales						
New Town	**1,497**	1,193	25%	**6,099**	3,960	54%
Watford City	**844**	705	20%	**2,901**	2,608	11%
Ross	**1,175**	586	101%	**4,138**	1,871	121%
Alexander	**123**	12	925%	**376**	25	1404%
Tioga JV	**238**	481	-51%	**1,734**	981	77%
Epping JV	**130**	137	-5%	**521**	494	5%
	4,007	3,114	29%	**15,769**	9,939	59%
Other revenue	**192**	71	170%	**467**	267	75%
Revenue from continuing operations	**4,199**	3,185	32%	**16,236**	10,206	59%
Revenue discontinued operation	**4**	86	-95%	**811**	364	122%
Total revenue	**4,203**	3,271	28%	**17,047**	10,570	61%
Operating income (loss) from continuing operations						
New Town	**806**	554	45%	**3,461**	1,634	112%
Watford City	**401**	318	26%	**1,390**	1,179	18%
Ross	**617**	346	78%	**2,547**	918	177%
Alexander	**43**	(272)	115%	**47**	(464)	110%
Tioga JV	**30**	369	92%	**975**	538	81%
Epping JV	**(5)**	33	-115%	**97**	139	-30%
Employee Retention Credit	**-**	-	-	**446**	-	100%
	1,891	1,348	40%	**8,963**	3,944	127%
Other revenue	**192**	71	170%	**467**	267	75%
Operating income (1) from continuing operations	**2,083**	1,419	47%	**9,430**	4,211	124%
Operating loss (1) discontinued operation	**(94)**	(304)	69%	**(542)**	(1,069)	49%
Total operating income (1)	**1,989**	1,105	80%	**8,888**	3,142	183%

(1) Refer to "Non-GAAP Measures" for additional information.
(2) Comparative information has been re-presented due to a discontinued operation.

New Town SWD Facility

Environmental and Safety:

There were no spills, environmental incidents, or safety incidents for the three and twelve months ended December 31, 2022. In previous reports, we indicated that there had been some leakage 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 Q2 2022. No environmental issues resulted from this leakage. Since this cleanout was completed, there has been no further leakage. In addition, to provide better containment, the earthen berm around the tank farm was replaced with a steel berm in Q4 2022.

The New Town SWD facility has operated 24/7 for ten 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 scheduled to be completed in 2023 and an estimated cost has been accrued in the audited consolidated financial statements for the year ended December 31, 2022. The site collection pond will also be upgraded to handle more runoff and will be lined to prevent seepage.

Operating Income:

The New Town SWD facility is White Owl's largest contributor to the North Dakota operating results. For the twelve months ended December 31, 2022, operating income more than doubled to $3,461,000 (or 41% of North Dakota operating income excluding the one-time US payroll tax credit of $446,000) from $1,634,000 for the prior year (or 42% of North Dakota operating income), while for Q4 2022, operating income increased 45% to $806,000 from $554,000 for Q4 2021.

The significant improvement in this facility's operating income for the year ended December 31, 2022, over the prior year, is mainly due to a 66% increase in recovered oil volumes combined with a 38% increase in the net realized oil price. For the three months ended December 31, 2022, recovered oil volumes increased 11% while the net realized oil price increased 9% compared to Q4 2021.

Volumes:

As indicated above, major winter storms disrupted North Dakota oil and gas industry activity and operations for several days late in Q4 2022, resulting in December 2022's fluid disposal volumes for this site decreasing to average 9,600 bpd in December, down from an average of 13,500 bpd for the two months of October and November 2022. Overall, fluid disposal volumes increased 9% to 12,199 bpd for Q4 2022 from 11,179 for Q4 2021. For the year ended December 31, 2022, fluid disposal volumes averaged 12,403 bpd, relatively unchanged from 12,140 bpd for the prior year. Flowback disposal volumes averaged 170 bpd for the twelve months ended December 31, 2022, compared to 38 bpd for the prior year. Flowback volumes are low at this facility due to low pricing charged by area competitors.

The New Town SWD facility has the highest oil recovery and sales of any White Owl SWD facilities, with oil recovery totaling 29,989 barrels for the twelve months ended December 31, 2022, or 44% of the Corporation's total North Dakota recovered oil volumes for the year. This is an increase of 66% from the 18,019 barrels of oil recovered in the prior year. The higher recovery in oil volumes is mainly due to the higher oil content in initial production water from recently completed wells in the area and improved oil recovery processes. For Q4 2022, recovered oil volumes increased 11% to 7,512 barrels from 6,794 barrels for Q4 2021.

Revenues and Pricing:

Total revenues increased 25% and 54% to $1,497,000 and $6,099,000, respectively, for the three and twelve months ended December 31, 2022, respectively, from $1,193,000 and $3,960,000, respectively, in the prior year comparable periods. The increase in revenues is mainly due to the higher oil recovery volumes and improved oil pricing. As a result, oil revenues increased 30% and 148% to $762,000 and $3,395,000, respectively, for the three and twelve months ended December 31, 2022, respectively, over the comparable 2021 periods. For the twelve months ended December 31, 2022, the netback price for this site increased 38% to US$83.31 per barrel from US$60.21 per barrel for the prior year.

Production water revenues increased 11% in Q4 2022 over Q4 2021, approximately matching the 9% increase in disposal volumes, while for the twelve months ended December 31, 2022, production water revenues increased 2% over the prior year, matching the year-over-year increase in fluid disposal volumes.

Operating Expenses:

New Town is White Owl's oldest SWD facility (commissioned in 2012) with high maintenance costs due to continuous 24/7 operations and the age of its equipment. Total operating costs averaged $0.58 per barrel for 2022 compared to $0.53 for 2021.

For the three and twelve months ended December 31, 2022, operating expenses increased 8% and 13% to $691,000 and $2,638,000, respectively, from $639,000 and $2,326,000 for the three and twelve months ended December 31, 2021, respectively. While repairs and maintenance remained flat year-over-year at this facility, wages and salaries increased 28% with the return to full staffing levels and pay rate increases to hire and retain personnel.

Watford City SWD Facility

Environmental and Safety:

There were no spills, environmental or safety incidents for the three and twelve months ended December 31, 2022.

Operating Income:

Q4 2022 operating income increased 26% to $401,000 from $318,000 for Q4 2021 as higher oil revenues (up 19%) and flowback revenues (up 214%) more than offset lower production water disposal revenues (down 14%) and higher operating costs (up 14%). For the twelve months ended December 31, 2022, operating income increased 18% to $1,390,000, from $1,179,000 for the prior year, as a 39% increase in oil revenues more than offset lower fluid disposal revenues (down 18%) and increased operating costs (up 2%).

Volumes:

Increased well completion activity in the Watford City area led to flowback volumes increasing 25% to 487 bpd for 2022 from 390 bpd for 2021, while the diversion of production water to well completion activities by area producers led to total fluid disposal volumes decreasing 16% and 18% to 6,196 bpd and 6,527 bpd, respectively, for the three and twelve months ended December 31, 2022, respectively. 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. In Q4 2022, pipeline volumes were 979 bpd compared to 1,181 bpd in Q3 2022.

With the higher flowback volumes, oil sales increased 8% in the fourth quarter to 3,792 barrels from 3,505 barrels for the prior year comparable quarter. Total oil sales in 2022 were 11,340 barrels, relatively unchanged from 11,601 barrels for the prior year.

Revenues and Pricing:

For the three and twelve months ended December 31, 2022, total revenues at the Watford City SWD facility increased 20% and 11%, respectively, to $844,000 and $2,901,000, respectively, from $705,000 and $2,608,000 for the three and twelve months ended December 31, 2021, respectively. The main reasons for the increased revenues were higher flowback volumes and pricing as well as increased oil pricing. Flowback pricing increased 13% year-over-year due to higher prices charged for disposing of storm-related ground water in the second quarter. On the other hand, trucked-in production water pricing remained flat year-over-year.

The net realized oil price for this site increased 42% to US$83.73 for the twelve months ended December 31, 2022, from US$58.89 for the prior and resulted in recovered oil revenues increasing to $1,290,000 from $861,000 for 2021.

Operating Expenses:

Even though fluid disposal volumes decreased 16%, Q4 2022 operating costs increased 14% to $443,000 from $387,000 for Q4 2021 mainly due to increased labour costs. The site is now staffed 24 hours per day, and there have been inflationary pressures on all other input costs. These same inflationary pressures resulted in operating costs increasing 6% to $1,511,000 for the twelve months ended December 31, 2022, from $1,429,000 for the prior year even though fluid disposal volumes decreased 18% year-over-year.

Ross SWD Facility

Environmental and Safety:

There were no spills, environmental or safety incidents in the three and twelve months ended December 31, 2022.

Operating Income:

The Ross SWD facility is White Owl's second largest contributor to North Dakota operating income. This improvement is due to increased drilling and completion activity by area producers especially during the last six months of 2022.

For the twelve months ended December 31, 2022, operating income increased almost three-fold to $2,547,000 (or 30% of North Dakota operating income excluding the one-time US payroll tax credit of $446,000) from $918,000 for the prior year (or 31% of North Dakota operating income). The increased operating income is mainly due to higher trucked-in water disposal revenues (up more than two-fold), higher flowback revenues (up four-fold) and higher oil revenues (up 80%).

For the three months ended December 31, 2022, operating income at the Ross SWD facility increased 78% to $617,000 from $346,000 for Q4 2021, mainly due to significantly higher fluid disposal revenues (up 250%), which more than offset a 133% increase in operating costs.

Volumes:

For the three and twelve months ended December 31, 2022, fluid disposal volumes increased 126% and 136%, respectively, to 8,834 bpd and 6,579 bpd, and from 3,916 bpd and 2,792 bpd for the comparable periods in 2021. The increase in disposal volumes is due to increased activity by area producers, resulting in oil-rich flowback volumes increasing more than three-fold to 1,258 bpd for the twelve months ended December 31, 2022, from 370 bpd for the prior year. Flowback volumes are expected to remain strong during 2023 due to drilling and completion activity by area producers.

The increased flowback volumes led to recovered oil volumes increasing 18% to 4,352 barrels in Q4 2022 from 3,700 barrels in Q4 2021, while for the twelve months ended December 31, 2022, oil volumes increased 20% to 18,763 barrels from 15,653 barrels for the prior year.

Revenues and Pricing:

Total revenues more than doubled to $1,175,000 for Q4 2022 from $586,000 for Q4 2021, and to $4,138,000 for the twelve months ended December 31, 2022, from $1,871,000 for the twelve months ended December 31, 2021. The significant increase in 2022 revenues is mainly due to higher fluid disposal and recovered oil volumes, as discussed above.

During 2022, White Owl benefited from the significant increase in oil prices, with the netback price for recovered oil sales at the Ross SWD facility increasing 50% to US$85.89 per barrel for the twelve months ended December 31, 2022, from US$57.16 per barrel for the prior year. Flowback water pricing increased 17% to US$1.28 per barrel for the twelve months ended December 31, 2022, from US$1.09 per barrel for the prior year due to the receipt of higher priced storm-related flood water volumes in the second quarter.

Operating Expenses:

Operating expenses increased 87% to $1,591,000 for the twelve months ended December 31, 2022, from $853,000 for the prior year mainly due to the increased fluid disposal volumes in 2022 (up 136% year-over-year) and higher input costs. In Q4 2022, operating costs increased 133% to $558,000 from $240,000 in Q4 2021 mainly due to the higher disposal volumes (up 126%), increased labour costs and the replacement and installation of charge pumps and injection filters.

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. White Owl believes 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 Class 1 customer base expanded due to the growing recognition that a local Class 1 disposal service is readily accessible. 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 spills, environmental or safety incidents in the three and twelve months ended December 31, 2022. A carryover from 2021 activity was a US$27,000 fine paid in 2022 to the North Dakota regulator for delivery of hazardous waste to the facility in March 2021, as discussed in previous reports.

Volumes:

The second, third and fourth quarters of 2022 were significantly busier than the previous fifteen months during which the facility was shut-in for nine months for regulatory and weather-related reasons. The late winter storms of April and May 2022 were followed by heavy spring rains and resulted in 19,560 barrels of water disposal volumes in Q2 2022, 18,534 barrels in Q3 2022 and 20,509 barrels in Q4 2022. Nearly all the waste was leachate from landfills. In Q1 2023, we anticipate lower volumes mainly due to cold weather but higher volumes in subsequent months.

Operating Income:

For the three and twelve months ended December 31, 2022, the Alexander facility recorded operating income of $43,000 and $47,000, respectively, compared to operating losses of $272,000 and $464,000 for the three and twelve months ended December 31, 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.

Environmental and Safety:

There were no spills, environmental or safety incidents in the three and twelve months ended December 31, 2022.

Operating Income:

The 81% increase in operating income to $975,000 for the twelve months ended December 31, 2022 from $538,000 for the prior year was a result of improved market conditions *(please see Volumes below)*. Q4 2022 operating income decreased to $30,000 from $369,000 for Q4 2021 which included compensation of $304,000 received from a customer for temporarily shutting-in the Tioga SWD facility to allow drilling operations adjacent to the facility.

Volumes:

Fluid disposal volumes increased 69% to 3,828 bpd for Q4 2022 from 2,272 bpd in Q4 2021 when the facility was mostly shut-in to allow a customer to conduct drilling operations. For the twelve months ended December 31, 2022, fluid disposal volumes increased 138% to 6,273 bpd from 2,637 bpd in the prior year. The increase in disposal volumes 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.

The increased area activity has led to substantially higher flowback disposal volumes in 2022, resulting in a four-fold increase to 1,248 bpd for the twelve months ended December 31, 2022, from 307 bpd for the prior year. This oil-rich fluid has resulted in recovered oil volumes increasing 60% to 15,709 barrels for the twelve months ended December 31, 2022, from 9,807 barrels for the prior year.

Since August 2022, fluid disposal volumes have decreased to approximately 4,000 bpd to 5,000 bpd from an average of 7,780 bpd in the first six month of 2022. 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. Absent new activity in the area the current level of fluid disposal is expected to continue. Several producers are very actively permitting and drilling wells in the area and there is the potential for higher volumes.

Revenues and Pricing:

Revenue increased 77% to $1,734,000 for the twelve months ended December 31, 2022, from $981,000 for the twelve months ended December 31, 2021, with 2021 revenue including compensation of $304,000 from a customer for the shutting-in of the Tioga SWD facility *(please see Operating Income above)*. Excluding this one-time compensation amount, revenue for the year ended December 31, 2022, increased 156% year-over-year, in line with the 138% increase in fluid disposal volumes and higher oil pricing. The oil netback price increased 48% to average US$88.94 per barrel for the twelve months ended December 31, 2022, from US$59.94 per barrel for the prior year, while fluid disposal pricing remained flat.

Q4 2022 revenue increased to $238,000 from normalized $177,000 for Q4 2021 (excluding the aforementioned one-time compensation amount of $304,000), as the positive revenue impact of the higher fluid disposal volumes was partially offset by lower oil revenues (oil volumes decreased 28% between the two quarters).

Operating Expenses:

Increased disposal volumes (up 69% at this facility year-over-year), increased labour costs and inflationary pressures and higher disposal volumes resulted in Q4 2022 operating costs increasing 86% to $208,000 from $112,000 for Q4 2021. Similarly, increased disposal volumes (up 138% year-over-year) resulted in operating costs increasing 66% to $739,000 for the twelve months ended December 31, 2022, from $444,000 for the prior year. In addition, chemical and filter costs increased due to the much higher disposal volumes.

Epping SWD JV Facility

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 became effective on November 1, 2022. White Owl earned this increased working interest by funding an additional portion of the second well's capital costs.

The discussion below is based on total volumes for the facility while the financial information represents White Owl's 35% interest in the Epping JV.

Environmental and Safety:

There were no spills, environmental or safety incidents in the three and twelve months ended December 31, 2022.

Operating Income:

For the twelve months ended December 31, 2022, operating income decreased 30% to $97,000 from $139,000 for the 2021 year, mainly due to higher repairs and maintenance costs and severe weather conditions in Q2 2022 and Q4 2022 which shut-in the facility for several days. These factors led to an operating loss of $5,000 for Q4 2022, compared to operating income of $33,000 for Q4 2021.

Volumes:

The commissioning of the 2nd injection well in November 2022 results in injection capacity at the Epping JV SWD facility of up to approximately 18,000 bpd, compared to 6,000 bpd previously.

For the twelve months ended December 31, 2022, fluid disposal volumes averaged 5,601 bpd, unchanged from 5,648 bpd for the prior year. Q4 2022 fluid disposal volumes decreased 12% to 5,119 bpd from 5,844 bpd for Q4 2021 primarily because severe cold weather in December resulted in the facility being shut-in for approximately two weeks.

Recovered oil revenues have historically not been 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 twelve months ended December 31, 2022, recovered oil volumes totaled 429 barrels and 1,441 barrels, respectively, compared to 658 and 1,738 barrels for the prior year comparable periods, respectively. With a higher percentage of trucked-in water and flowback volumes forecast for 2023, oil recovery is forecast to increase.

With the 2nd well now commissioned and with the increased injection capacity of up to approximately 18,000 bpd, the Corporation's marketing efforts are focused on securing increased volumes. Several producers are completing wells in the area which is expected to result in higher trucked and flowback volumes in 2023, and as a result increased oil recovery.

Revenues and Pricing:

Total revenue net to White Owl increased 5% to $521,000 for the twelve months ended December 31, 2022, from $494,000 for the prior year. Q4 2022 revenue decreased 5% to $130,000 from $137,000 for Q4 2021 mainly due to the aforementioned severe winter conditions in December 2022.

Pricing for trucked water, pipeline water and flowback has remained flat over the past year at this facility, while the net realized oil price increased by 40% to US$82.82 per barrel, although recovered oil volumes decreased by 17% *(please see Volumes above)*.

Operating Expenses:

For the twelve months ended December 31, 2022, operating expenses increased 19% to $424,000 from $355,000 for the prior year, mainly due to an expenditure of $44,300 in September 2022 on injection pump repairs. Q4 2022 operating expenses increased 30% to $135,000 from $104,000 for Q4 2021 mainly due to increased labour costs.

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.

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$4.8 million, of which White Owl's share is US$1.7 million, or US$0.6 million higher than the original estimate for White Owl's cost. White Owl's 65% partner in the Epping Joint Venture has paid for its full share of the cost over-run.

Discontinued Operation - Canada (Clairmont Terminal)

The sale of the Clairmont Terminal and four associated wells closed on October 14, 2022, with gross proceeds of $1,400,000 (net proceeds of $1,250,000). The closing of this transaction will allow management to focus more attention on the active North Dakota market. The gross proceeds of the sale will be reserved for abandonment and reclamation costs for the shut-in oilfield which remains with White Owl.

Environmental and Safety:

There were no spills, environmental or safety incidents in the three and twelve months ended December 31, 2022.

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Net Loss from Discontinued Operation:

Net loss from discontinued operation for the three and twelve months ended December 31, 2022, and 2021 is as follows:

	Three months ended December 31,		Twelve months ended December 31,	
($000's)	**2022**	2021	**2022**	2021
Revenue	**4**	86	**811**	364
Expenses				
Operating costs	**97**	389	**1,353**	1,435
General and administrative	**3**	3	**38**	18
Depreciation	**(5)**	24	**25**	49
Impairment	**1,343**	-	**1,343**	-
Finance costs	**2**	21	**71**	78
Gain on disposal of property plant and equipment	**(1,388)**	(29)	**(1,401)**	(437)
(Gain) loss on abandonment	**-**	(1)	**111**	(1)
Government abandonment grant in-kind	**-**	(152)	-	(152)
	52	255	**1,540**	990
Net loss from discontinued operation	(48)	(169)	(729)	(626)

Well Abandonments:

During the twelve months ended December 31, 2022, White Owl abandoned two suspended oil wells for a total

Well Abandonments:

During the twelve months ended December 31, 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 the 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 Clairmont Terminal was permanently shut-in by White Owl in 2019. After the Clairmont Terminal sale, 27 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 reserve the net proceeds from the sale of the Clairmont Terminal and the funds on deposit with the Alberta Energy Regulator towards abandonment and reclamation costs for the shut-in oilfield.

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 twelve months ended December 31, 2022, other revenue increased to $192,000 and $467,000, respectively, from $71,000 and $267,000 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 December 31,		Twelve months ended December 31,	
($000's)	**2022**	2021	**2022**	2021
Salaries and management	**519**	344	**1,432**	1,054
Professional Fees	**45**	19	**347**	124
Travel and related expenses	**23**	19	**87**	55
General office expenses	**92**	69	**320**	213
Third party consulting fees	**15**	15	**50**	58
Lease liability recoveries	**-**	-	**-**	(9)
Total from continuing operations	**694**	466	**2,236**	1,495
Discontinued operation	**3**	3	**38**	18
Total	**697**	469	**2,274**	1,513

For the three and twelve months ended December 31, 2022, salaries and management expenses increased to $519,000 and $1,432,000, respectively, mainly due to the inclusion of Canadian Emergency Wage Subsidy (“CEWS”) credits in the prior year comparable periods, the reversal of wage rollbacks and wage increases. Professional fees increased to $45,000 and $347,000 for the three and twelve months ended December 31, 2022, respectively, from $19,000 and $124,000 for the three and twelve months ended December 31, 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 $92,000 and $320,000 for the three and twelve months ended December 31, 2022, respectively, from $69,000 and $213,000 for the 2021 comparable periods, respectively, mainly due to the inclusion of Canadian Emergency Rent Subsidy (“CERS”) credits in the prior year periods and higher corporate insurance premiums. In addition, temporary discounts received from specific service providers during COVID in 2020 and 2021 ceased at the beginning of 2022. Both the CEWS and the CERS programs were terminated by the Canadian government in Q4 2021.

DEPRECIATION

Depreciation from continuing operations for the three and twelve months ended December 31, 2022, totaled $507,000 and $1,748,000, respectively, virtually unchanged from $438,000 and $1,686,000 for the three and twelve months ended December 31, 2021, respectively.

IMPAIRMENT

As at December 31, 2022, White Owl evaluated its property, plant and equipment for indicators or any potential impairment or related reversal. The Company completed an impairment test on its Clairmont property as the

Company plans to abandon all of the remaining oil and gas wells in 2023. The recoverability of these assets was assessed at $nil as they will be abandoned and reclaimed in the years 2023 to 2025 and are not expected to generate any future cashflows for the Company. As a result of the impairment test performed, the Company recognized an impairment expense of $1,342,949 included in discontinued operation expenses in Q4 2022 against oil and gas properties and property, plant and equipment.

As at December 31, 2022, no indicators were identified and no impairment or related reversal was recorded on North Dakota CGUs' property, plant and equipment assets.

As at December 31, 2021, 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 twelve months ended December 31, 2021.

FINANCE COSTS

	Three months ended December 31,		**Twelve months ended December 31,**	
($000's)	**2022**	2021	**2022**	2021
Interest on long-term debt	**173**	11	**682**	11
Interest on term loan	**-**	143	**-**	609
Interest on promissory notes, loans payable and mortgage payable	**-**	1	**1**	15
Interest on lease liabilities	**3**	2	**6**	9
Accretion of decommissioning obligations	**10**	6	**36**	27
Accretion of transaction costs	**36**	3	**137**	3
Interest (income) expenses, bank charges and other	**(5)**	4	**27**	4
Total from continuing operations	**217**	171	**889**	678
Discontinued operation	**2**	21	**71**	78
Total	**219**	192	**960**	756

For the three and twelve months ended December 31, 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 months ended December 31, 2022, the Company recorded foreign exchange gains of $156,000 compared to $22,000 for Q4 2021. For the twelve months ended December 31, 2022, the Company recorded foreign exchange losses of $878,000 compared to $70,000 for the twelve months ended December 31, 2021. 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 twelve months ended December 31, 2022, was 1.3580 and 1.3017, respectively, compared to 1.2600 and 1.2516 for the three and twelve months ended December 31, 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 twelve months ended December 31, 2022, the Company recorded share-based payments of $17,000 and $68,000, respectively, compared to $12,000 and $82,000 for the 2021 comparable periods, respectively. The decrease between the twelve-month periods is due to the expiry of stock options in 2021 issued to management, employees and directors of the Company.

SUMMARY OF QUARTERLY RESULTS FROM CONTINUING OPERATIONS

($000's)	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	$4,199	$4,098	$4,306	$3,632	$3,185	$2,474	$2,318	$2,229
EBITDA (1)	1,389	1,955	2,221	1,629	953	623	688	452
Net income (loss)	821	388	1,232	1,644	304	215	129	(77)
Net income (loss) from discontinued operation	(48)	(64)	(313)	(304)	(169)	(254)	147	(350)

(1) Refer to "Non-GAAP Measures" for additional information.
(2) Comparative information has been re-presented due to a discontinued operation.

The increase in net income from continuing operations for Q4 2022 to $821,000 from $388,000 for Q3 2022 is mainly due to a gain on the disposal of the Clairmont Terminal, impairment expenses related to the remaining Clairmont assets and unrealized foreign exchange losses for the third quarter. The decrease in net income for Q2 2022 to $1,232,000 from $1,644000 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 $1,644,000 in Q1 2022 from $304,000 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 increase in net income to $304,000 in Q4 2021 from a net loss of $77,000 in Q1 2021 is mainly due to improving oil prices.

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.

Investing Activities

	Three months ended December 31,		Twelve months ended December 31,	
($000's)	**2022**	2021	**2022**	2021
Capital expenditures	**1,739**	306	**2,841**	572

Capital Expenditures:

Capital expenditures for the three and twelve months ended December 31, 2022, include $1,433,000 and $2,289,000, respectively, for Epping second well and related pipeline construction costs, while the balance relates to North Dakota facility site, tank farm and pump 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 December 31, 2022	65,633	$21,118	26,469	$12,353	92,102	$33,471

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

Share Options

There were 6,849,000 share options outstanding as of December 31, 2022 (December 31, 2021 – 4,904,000), with a weighted average exercise price of $0.05 (December 31, 2021 - $0.06) per share. During the twelve months ended December 31, 2022, 2,370,000 (2021: nil) share options were granted to employees of the Company at an exercise price of $0.05 per share, 225,000 (2021: nil) share options were forfeited and 200,000 (2021: 1,300,000)share options expired.

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 was 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 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. Based on financial results for the year ended December 31, 2022, an additional annual principal payment equal to the maximum of US$500,000 is payable by the Company on April 1, 2023, and is included in the current portion of long-term debt as at December 31, 2022. In addition, commencing December 31, 2022, the Company is required to maintain at all times a fixed charge 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.

Covenant description	Position at December 31, 2022
Fixed charge coverage ratio	**1.56**

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 anytime exceed the lesser of the margin requirements as defined in the loan agreement and US$1,000,000. As at December 31, 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 December 31, 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:

- Quarterly 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

Covenant description	Position at December 31, 2022
Cash Flow Coverage Ratio	**7.09**
Debt to Tangible Net Worth Ratio	**1.39**
Current Ratio	**1.26**

As at December 31, 2022, 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. We understand the complexities of the regulatory environment and are proud of what we do and how we do it. Our core values include a commitment to operate our facilities in regulatory compliance and responsibly and profitably, while making a positive contribution to society. A sub-committee of the board of directors oversees our approach to ESG and directs our approach to identify ESG focus areas that could materially impact value and risk management.

In the field, we focus on factors that determine the company's impact on employee safety, the environment, waste generation, emissions, recycling, safe disposal practices, water use-related issues and any required site remediation. In parallel with this focus, we insist on operating our facilities in compliance with all state and federal regulations.

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 ESG-related 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

Although North Dakota is ranked as the 2nd biggest oil producer in the US, North Dakota Mineral Resources Director Lynn Helms now repeats a word he heard many times when he met recently in Texas with executives from ten oil companies with wells in the Bakken. The executives described the Bakken as "mature". The major oil companies 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. Most of the company executives that Helms said he spoke with indicated that they have about 10-15 years of drilling inventory left in their Bakken acreage.

With producers having 10-15 years of drilling inventory left at current prices, any upward movement in commodity prices will increase this inventory and expand the defined Tier 1 acreage area. White Owl has strategically selected SWD locations in and around the Tier 1 acreage and will continue to benefit from activity in these areas. Helms believes that with current oil prices there will be some increase in the state's oil output and that new technologies need to be developed to squeeze more oil out of the rock where wells have already been drilled. Higher commodity prices would also encourage our customers to increase their drilling activity.

For these major oil companies, the extent of capital investment over the next few years will be defined by the capital markets and the companies' perception of returns on investment in the Bakken. Certainly, as mentioned above, commodity prices could change this perception due to the ariel extent of the so-called Tier 1 acreage expanding with higher commodity prices. Customer investment around White Owl's facilities is important as the Company's SWD facilities perform best when there is active drilling and completion activity within 25 miles of the plant locations. There are currently 45 drilling rigs and 19 completion crews operating in the North Dakota Bakken.

In January the North Dakota Pipeline Authority reported production of 1,097,716 bpd of oil and 3,029,033 mcf/d of natural gas for North Dakota. With rig activity fairly stable at around 45 rigs, we don't anticipate much growth in Bakken production in 2023 and absent a significant increase in commodity prices, 2023 financial performance is expected to be a mirror of 2022.

Corporate Review

In 2021, a Special Committee of the Board of Directors of the Corporation ("Special Committee") was formed to review, consider, and evaluate alternative transactions which are proposed to the Corporation by one or more third parties, or by White Owl to one or more third parties, including, but not limited to, a corporate sale, a recapitalization, a long term debt financing, a merger, or other form of business combination. The Special Committee, working with management, was successful in refinancing the Corporation's bank debt with a new senior lender and closing the sale of the Clairmont Terminal. In addition, the Corporation received a purchase offer which was deemed inadequate and not pursued.

Following the closing of the Clairmont sale, the Special Committee considered a range of strategic options for the Company but in the end, following an extensive review, recommended to the board of directors that for the time being, the Company continue to develop its business in North Dakota.

In the Bakken, the past year was a transition year for White Owl and its customers, with business returning to a more normal state as the economy continued to exit from COVID restrictions. The rig count and activity in North Dakota continued to increase during the year primarily as a result of higher oil prices and we reacted to this improvement in business by adding field staff at our SWD facilities as the need arose. Consequently, and for the reasons mentioned above, 2022 turned out to be a record year for the Company, primarily due to the higher oil prices received from recovered oil sales.

The improved market conditions have continued into 2023 and our forecast for the coming year is forecast to be a repeat of 2022, absent any new plant expansions or additions. The combination of geopolitical uncertainties, inflation and climate change initiatives make it difficult to confidently land on a forecast for oil prices. After considering various forecasts from the EIA and several investment banks, we have arrived at a WTI price of US$82 per barrel for our 2023 budget.

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 2022.

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 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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