December 21, 2015

GEAR ENERGY

Monthly Update

Vol. 2 Issue 11

From the desk of Ingram Gillmore, President & CEO

We regularly include the following data populated with estimated monthly results:

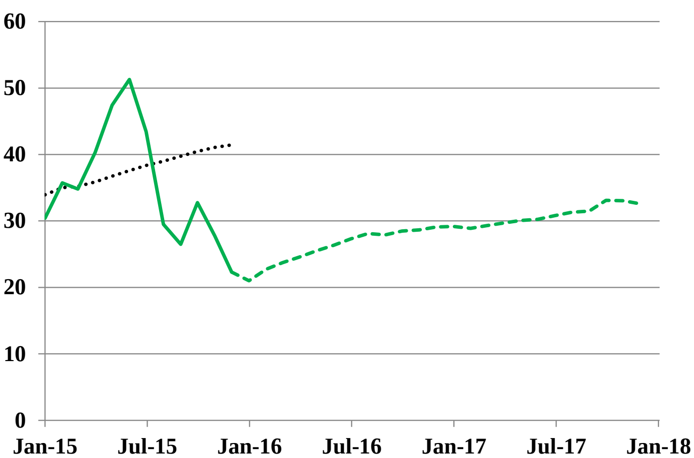
Capital * ($k CAD)	Q4 14	2014	Q1 15	Q2 15	Q3 15	Oct-15	Nov-15	Q4TD 15
Drill & Complete	11,891	54,644	-1,763	1,656	4,899	2,089	2	2,091
Facilities	7,564	24,861	1,594	1,957	1,396	935	633	1,568
Land & Seismic	1,449	4,870	332	332	314	2	32	34
A&D	-1,028	79,521	-132	-554	0	0	0	0
Other	65	544	8	340	-177	0	182	182
TOTAL	**19,941**	**164,441**	**39**	**3,731**	**6,432**	**3,026**	**849**	**3,875**

Production (boe/d) *								
Sales	**7,001**	**6,020**	**6,624**	**5,632**	**5,430**	**5,025**	**5,237**	**5,129**
Field	7,277	6,147	6,332	5,642	5,531	5,209	5,033	5,122

** Estimates based on field data, actuals will vary from estimates due to accruals and adjustments. Such variances may be material.*

The year is about to come to a close, and what a year it has been! I started the year talking about oil prices, and not surprisingly, I am going to end the year on the same topic.

Western Canadian Select (US$/bbl)
CME Group: Dec 18, 2015



We entered 2015 with a January WCS oil price of approximately US$30/bbl, and the forecast at the time, (the black line on the chart), was for heavy oil prices to steadily incline to exit the year at just over $40/bbl. However, the real prices unfolded much different than the forecast, which shouldn't surprise anyone. The actual prices were extremely volatile all year, with a peak in June of $51.29/bbl followed by renewed weakness through to the remainder of the year. As it stands today, the new, (and guaranteed to be wrong), outlook is to set a new low in January of approximately $22/bbl before the initiation of a gradual recovery.

All of us eternal optimists in the oil patch love to quote the old adage that "the cure for low oil prices… is low oil prices". That sentiment tends to be even more reliable when prices are really low.

I read a research report this morning highlighting the fact that three quarters of current oil sands production is losing an average of $3/bbl for every barrel produced at a WCS price of US $22/bbl. Fundamentally this is one of the main reasons why prices cannot be sustained at the current low levels. If more than 40% of total Canadian oil production is losing millions of dollars at current prices, you have to believe that something is going to change.

Fortunately Gear has a lower cost profile relative to a typical oil sands operation, so our estimates are to still achieve positive cash flow at these low prices. However, the reality is that the numbers are not large, but they are still positive.

As we all head off to enjoy a short break during the holidays, I would like to again thank our shareholders for their continued support, and I do anticipate that we may see a resumption of better times in 2016.

At Gear we will begin the New Year by continuing to do what we have always done; we will drive down our costs, we will protect our balance sheet, we will focus on true capital returns, and we will remain extremely disciplined and nimble with all of our future expenditures.

Through 2016 the Gear team will continue to optimize internally generated opportunities as well as pursuing accretive acquisitions that will position Gear to resume growing shareholder value as we exit this commodity cycle.