

## FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

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

<b>Capital *</b> (\$k CAD)		Q3 16	Q4 16	2016	Q1 17	Q2 17	17-Jul	17-Aug	17-Sep	Q3 17	2017 YTD
Drill & Complete		5,734	3,083	<b>9,501</b>	14,563	3,856	3,282	1,678	2,650	7,610	<b>26,029</b>
Facilities		1,396	2,106	<b>5,064</b>	3,193	2,718	771	955	1,339	3,065	<b>8,976</b>
Land & Seismic		287	978	<b>1,278</b>	1,147	262	194	55	39	288	<b>1,697</b>
A&D		58,141	-74	<b>57,616</b>	-68	128	-273	2,075	-166	1,636	<b>1,696</b>
Other		-384	-100	<b>-1,479</b>	-119	-676	0	0	-450	-450	<b>-1,245</b>
<b>TOTAL</b>		<b>65,174</b>	<b>5,993</b>	<b>71,980</b>	<b>18,716</b>	<b>6,288</b>	<b>3,974</b>	<b>4,763</b>	<b>3,412</b>	<b>12,149</b>	<b>37,153</b>

<b>Production (boe/d) *</b>		Q3 16	Q4 16	2016	Q1 17	Q2 17	17-Jul	17-Aug	17-Sep	Q3 17	2017 YTD
Sales		<b>5,420</b>	<b>6,203</b>	<b>5,152</b>	<b>5,907</b>	<b>6,510</b>	<b>6,515</b>	<b>6,374</b>	<b>6,691</b>	<b>6,525</b>	<b>6,316</b>
Field		5,447	5,942	4,992	6,084	6,468	6,631	6,506	6,805	<b>6,646</b>	<b>6,401</b>

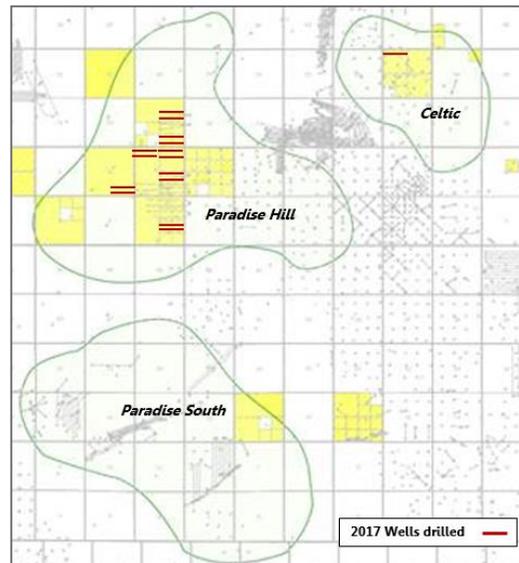
\* Estimates based on field data, actuals will vary from estimates due to accruals and adjustments.  
Such variances may be material.

With oil prices gaining strength recently there has been an increased demand from investors to meet with the Gear team to get updated on the current and future potential of the company. One of the highlights that I have been very pleased to communicate is the excellent results that we are seeing from our Paradise Hill heavy oil property in Saskatchewan. I think it is worth running through the details for everyone as I am really proud of what the team has accomplished here.

We originally gained access to the Paradise field in 2014 as part of a larger acquisition of other producing heavy oil assets. The one and a half sections of original land were non-productive as all the older vertical wells had failed. The team felt that the McLaren sand in the area would be amenable to horizontal drilling so we started to increase our footprint. Since 2014 we have invested \$1.2 million dollars on land and expanded our ownership to approximately eight prospective sections.

Gear drilled the first two test horizontal wells into the McLaren formation in late 2014. With initial production per well averaging around 100 bbl/d, we quickly confirmed our theory that this oil pool could be successfully produced using horizontal wells. An additional three wells were drilled in 2015, and then eight more in 2016. Now in 2017 we have just completed our most aggressive program to date with the drilling of 15 more McLaren wells. By the end of October Gear will have drilled 28 total wells here. For perspective, the current Management estimated inventory of future potential drilling locations is approximately 100.

With all of this successful drilling, Paradise Hill has transformed from non-productive land to Gear's top producing and highest cash generating property. October production from this area is currently averaging 1,700 bbl/d and there are still a couple of wells to come on production later this month.



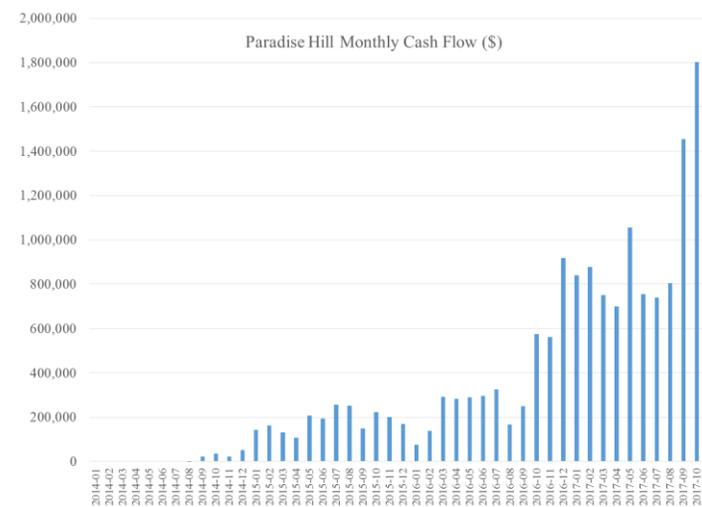
Paradise Hill is an excellent example of why Gear only drills horizontal wells, and preferably on Crown land. We are starting to get used to high productivity wells with low cost profiles. Since 2014, the average royalties paid in Paradise are a competitively low 7.4%, and the average operating costs over the same period have been \$8.42 per boe. Despite some fairly lousy oil prices over the last three years, the netback in Paradise Hill has averaged \$27.22 per boe, and the oil is currently generating a netback of approximately \$34 per boe. If October production stays flat at the current 1,700 bbl/d, Gear could generate an impressive \$1.8 million of monthly cash from Paradise Hill.

To get a flavor for what the future free cash flow might look like we did an internal estimate of future production from the existing wells and ran a cash flow model using a US\$50/bbl flat WTI price deck.



The rough estimate of 10% discounted future cash flow using a flat \$50 price deck is \$34 million. That means the remaining math looks like this:

Capital	- \$20.4 million
Cash flow	+\$14.5 million
<u>Future Cash Flow</u>	<u>+\$34.0 million</u>
<b>Total</b>	<b>+\$28.1 million</b>



To provide the complete full cycle picture of the value Gear has unlocked in Paradise we need to also look at what has been invested in the area, how much cash flow has been generated and what is the estimated future value.

**Total Capital Invested**

Drilling	\$12,900,000
Equipment	\$2,900,000
Completions	\$2,300,000
Land	\$1,200,000
Geological	\$800,000
<u>Pipelines</u>	<u>\$300,000</u>
<b>TOTAL</b>	<b>\$20,400,000</b>

Cash Generated (to Sep. 2017)      \$14,500,000

There are a couple of items worth mentioning here. First off, there will be some small amounts of additional capital to add to the total because we were still active in the area in October. Second, if we continue to generate \$1.8 million of cash flow per month, the total investment in the property could be paid out in under four months. After that, the property would be generating free cash flow, and lots of it.

So we invested \$20.4 million and we are forecasting to get all of that back in a few months, followed by an additional potential \$28 million in profit. That's pretty good math. It should be no surprise that the Gear team are constantly looking for assets that we hope can duplicate or improve upon these results.