GEAR ENERGY

Monthly Update

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Vol. 5 Issue 1

FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

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

Capital *

($k CAD)	Q4 16	**2016**	Q1 17	Q2 17	Q3 17	17-Oct	17-Nov	17-Dec	Q4 17	**2017**
Drill & Complete	3,083	**9,501**	14,563	3,856	7,610	2,444	3,076	2,217	7,737	**33,766**
Facilities	2,106	**5,064**	3,193	2,718	3,065	1,837	1,803	1,607	5,247	**14,223**
Land & Seismic	978	**1,278**	1,147	262	288	322	18	243	583	**2,280**
A&D	-74	**57,616**	-68	128	1,636	-15	46	-17	14	**1,710**
Other	-100	**-1,479**	-119	-676	-450	0	0	-1,260	-1,260	**-2,505**
TOTAL	**5,993**	**71,980**	**18,716**	**6,288**	**12,149**	**4,588**	**4,943**	**2,790**	**12,321**	**49,474**
									Excluding A&D	**47,764**

Production (boe/d) *

Sales	**6,203**	**5,152**	**5,907**	**6,510**	**6,525**	**7,223**	**7,183**	**6,869**	**7,091**	**6,511**
Field	5,942	4,992	6,084	6,468	**6,646**	7,356	7,340	7,442	**7,380**	**6,648**

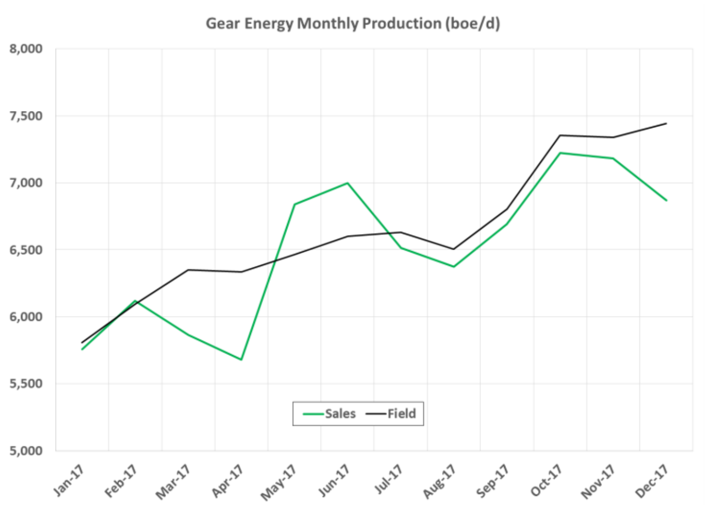
** Estimates based on field data, actuals will vary from estimates due to accruals and adjustments. Such variances may be material.*

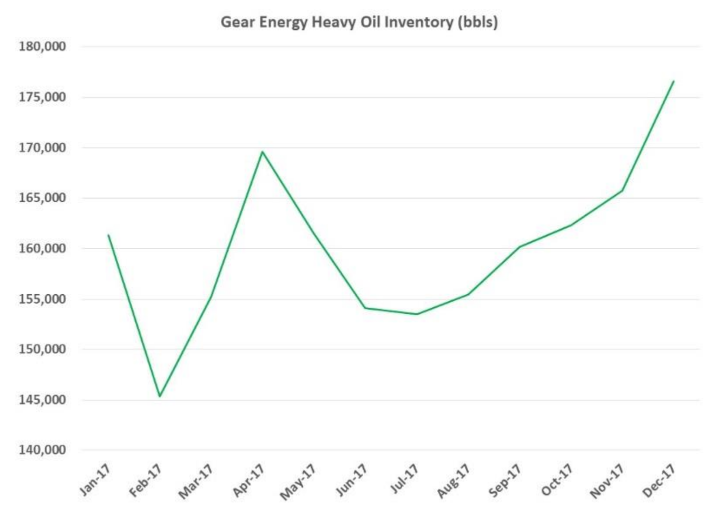
We definitely ended 2017 with some interesting developments. Never a dull moment it seems. For example, the temperature in Lloydminster at the beginning of December was hovering around 0 degrees Celsius, and by the end of the month is was in the minus 35 degrees range with wind chills making it even worse. Merry Christmas indeed. Outdoor New Year's festivities in Calgary were cancelled and people mostly just stayed home and waited for some kind of thermal reprieve. Kudos, to the Gear operations team for managing to keep our field production high, and running smoothly through the arctic blast.

Sales production, of course, was a bit of a different story. We all know that the egress for oil out of Canada was somewhat challenged throughout the year, and that issue was exacerbated in November with the temporary shut-in of the Keystone pipeline. Typically, Gear's annual sales volumes are within a percentage point of the field estimates. This year, that was not the case.

The first half of the year showed what we usually expect to see, under-selling oil in the spring during break-up, due to road restrictions, and then over-selling in the summer to catch up, (usually at better prices).

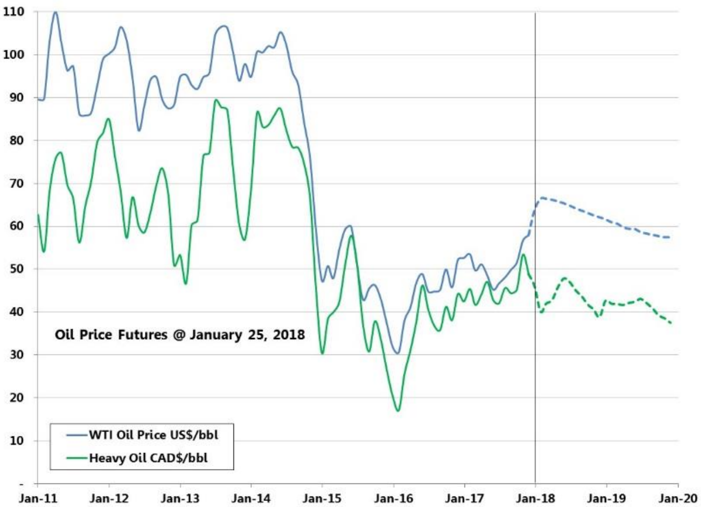
Then during the second half of the year Gear executed a successful summer drilling program resulting in sales being less that field production as each of the new wells built its initial tank volumes prior to shipping first oil. However, the gap between field and sales production in November and December became anomalously wide with the initiation of some shipping restrictions due in part to the Keystone issue, the associated pipeline apportionments, increased heavy oil supply and the fact that when it is really cold, railing becomes less reliable. As a result, during the last six months of 2017 we grew our heavy oil inventory by almost 25,000 barrels.





As we enter 2018, we now have that incremental oil stored in tanks all across Gear's core heavy oil properties. The royalties and a portion of the operating costs have already been paid, so really it is revenue just waiting to be sold and then reinvested.

At this point I would like to tout how WTI oil prices have climbed by $10 to $15 per barrel since we originally produced that oil, but unfortunately the story is not so simple this time. The last chart, and perhaps the most important one of the bunch, shows the complication.



While WTI oil prices have indeed come back to life over the last few months, the same egress challenges, previously discussed, have currently caused the heavy oil discount to WTI to widen. The good news, perhaps, is that the two in combination are offsetting each other and providing Gear with a forecasted heavy oil price very similar to what was realized through 2017. So, we may not be selling that inventory at higher prices, but if we are lucky, we shouldn't be selling it at lower prices either.

At the end of the day, Gear is entering 2018, like we seem to enter every year, with a new combination of challenges and opportunities. This time the challenges are that it is going to take time for egress issues to rectify, either through increased railing capacity, pipeline optimizations, or both, and the opportunities are that Gear is entering the year with solid field production, stable forecasted pricing and a small bonus of almost 25,000 bbls of spare oil to sell when the time is right.

Certain information in this monthly update is forward-looking within the meaning of certain securities laws, and is subject to important risks, uncertainties and assumptions. This forward-looking information may include, among other things, estimated production, expected cash flow and profit from certain assets of Gear, expectations of commodity prices and price differentials, demand for oil, capital expenditure budgets and estimates, royalty rates, operating costs, credit/debt requirements, and drilling inventory and locations. Readers should not rely on such forward-looking information to make investment decisions as the results or events anticipated or predicted in such forward-looking information may differ materially from actual results or events as a result of a number of factors including based on the risk factors as set forth in Gear's most recent annual information form (the "**AIF**"), which is available on this website and at www.sedar.com. Gear has based the forward-looking information on a number of assumptions including the assumptions identified in such monthly updates, which may not be realized. It has also assumed that the risk factors discussed in the AIF will not cause such forward-looking information to differ materially from actual results or events. The forward-looking information in this monthly update describes the expectations of management of Gear as of the respective dates of this monthly update and Gear does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws. Readers should not rely on the views of management of Gear as set out in this monthly update to make investment decisions with respect to Gear or other companies in the oil and gas industry and should instead consult with their own investment advisors.

This monthly update may include certain key performance indicators to analyze financial and operating performance such as cash flow from operations, cash flow from operations per debt adjusted share, production per day per thousand debt adjusted shares, operating netbacks, corporate netbacks and net debt, which do not have any standardized meaning prescribed by Canadian generally accepted accounting principles ("**GAAP**") and therefore may not be comparable with the calculation of similar measures for other entities. For additional information on these non-GAAP measures, see Gear's most recent management's discussion and analysis which is available on Gear's website at www.gearenergy.com and at www.sedar.com.

Barrel of oil equivalent ("boe") used in the monthly updates have been based on a conversion ratio of 1 barrel of oil to 6 thousand cubic feet of natural gas. A boe may be misleading, particularly if used in isolation, as such conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.