Monthly Update

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Vol. 5 Issue 2

FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

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

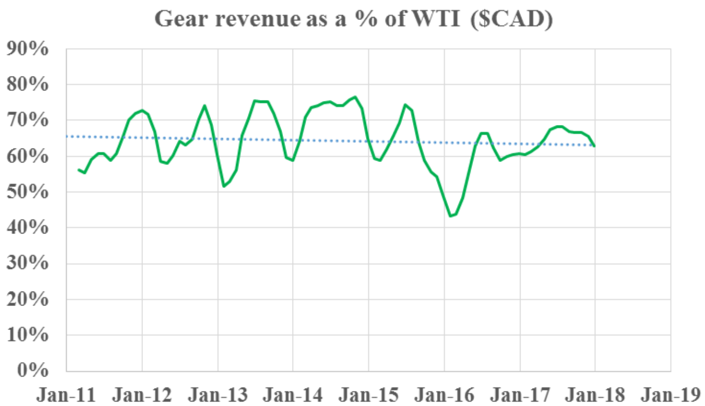
Capital * *($k CAD)*	Q1 17	Q2 17	Q3 17	17-Nov	17-Dec	Q4 17	**2017**	18-Jan
Drill & Complete	14,563	3,856	7,610	3,076	2,217	7,737	**33,766**	470
Facilities	3,193	2,718	3,065	1,803	1,607	5,247	**14,223**	1,244
Land & Seismic	1,147	262	288	18	243	583	**2,280**	1,333
A&D	-68	128	1,636	46	-17	14	**1,710**	61
Other	-119	-676	-450	0	-1,260	-1,260	**-2,505**	0
TOTAL	**18,716**	**6,288**	**12,149**	**4,943**	**2,790**	**12,321**	**49,474**	**3,108**

Production (boe/d) *								
Sales	**5,907**	**6,510**	**6,525**	**7,183**	**6,869**	**7,091**	**6,511**	**7,218**
Field	6,084	6,468	**6,646**	7,340	7,442	**7,380**	**6,648**	7,331

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

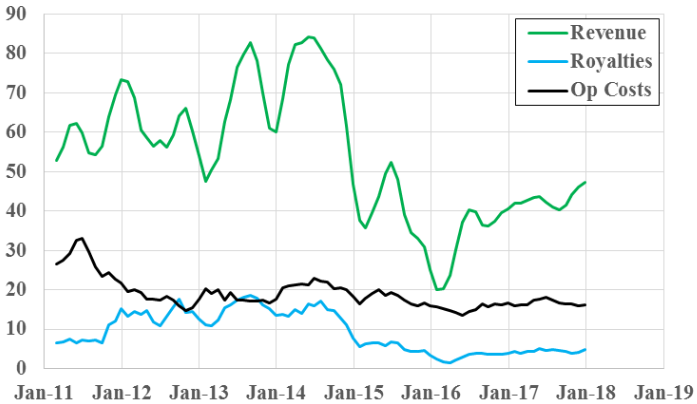
If you have not figured it out already, this is a long-term business and sometimes you really need to step back and look past the current headlines to gain some perspective. I think it can be valuable to try and clarify a range of expectations someone might want to consider when they are looking at Gear, or any other company.

In order to set the foundation for the future potential, you need to start with pricing. Despite increased diversity of our product mix I find it interesting that Gear revenues continue to be dominated by our heavy oil production. For example, last year our total combined realized revenue was within 5% of our standalone heavy oil price. I plotted our historical revenue as a percentage of the then current WTI oil prices in Canadian dollars. (Plotted rolling three month average data for all these charts just to smooth out the noise).



It appears that Gear has realized revenue that averaged approximately 65% of the WTI oil prices over our almost eight years of operation.

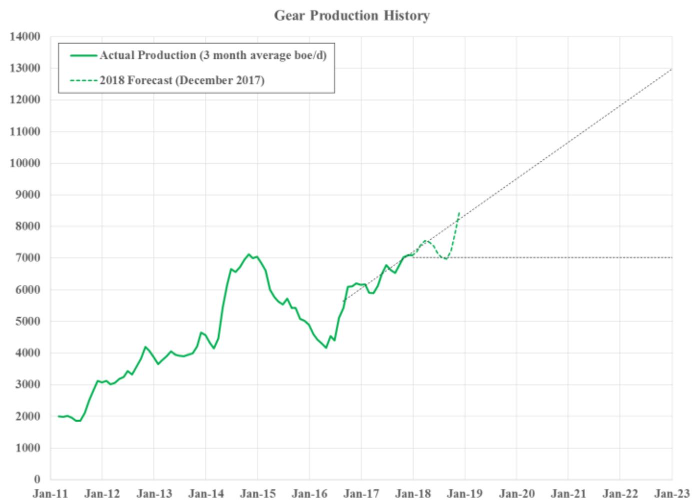
Over the same time period we also need to look back at the cost structure at Gear. The following chart shows the historical three month rolling average (pre-hedging) revenue and costs per boe.



Gear has demonstrated a fairly consistent cost profile since oil prices recalibrated in 2015. Royalties as a percentage of revenue have maintained around 10% for almost three years, and operating costs (including transportation) have averaged around the $16 per boe mark for the same time period.

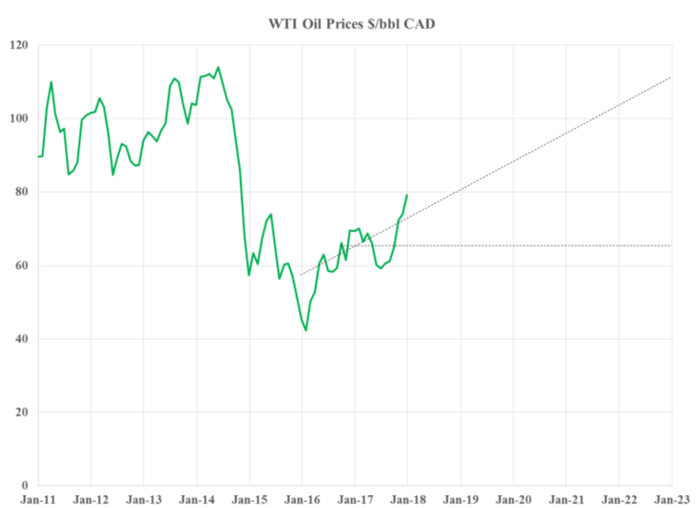
I did not plot the numbers because they are so low they don't really show up on the graph, but the combination of general and administrative and interest costs per boe have averaged approximately $3.75 per boe over a similar time period.

The last piece of the long-term puzzle is production. For simplicity sake we will just go with the 2017 actual and 2018 forecast which delivered and currently estimates 14% annual growth. If Gear was able to continue that level of growth over a five year period, the result would be a 2022 exit rate of approximately 13,000 boe/d. To be very clear, this is not an official forecast.



The goal is to provide some perspective of a potential future for Gear, so with that in mind we need to show a downside case as well. For this purpose, again keeping it simple, let's stick with a flat 7,000 boe/d over the next five years.

On the same theme, since we are doing some speculating here, let's provide similar goalposts for oil prices. In this case I used an upside case of approximately 10% price improvement per year, to essentially return us to the peak prices received back in early 2014, approximately $110/bbl CAD or $85/bbl US at current exchange rates. The downside case is essentially $65/bbl CAD flat for five years. At current exchange rates, that is about $50/bbl US, hopefully that is a reasonable estimate of a downside case. And again, in case it is not obvious yet, please take all these numbers with a grain of salt



Now we have all the data we need to determine the goalposts.

Downside
(7,000 boe/d * $65 WTI CAD * 65%) * 365 days - 10% royalties - $16 op costs - $3.75 G&A&Interest = $47 million
or
$0.21/fully diluted share approximately

Upside
(13,000 boe/d * $110 WTI CAD * 65%) * 365 days - 10% royalties - $16 op costs - $3.75 G&A&Interest = $212 million
or
$0.94/fully diluted share approximately

Those are wide goalposts, especially considering that there is no prediction of any acquisition activity included, which can result in dramatic step changes to this purely organic speculation. In addition, I can pretty much guarantee that neither of these cases is going to actually come true. Hopefully speculating forward in this manner provides a little perspective regarding the range of potential that the Gear team can hope to deliver over the next five years. We look forward to the opportunities and the challenges.