

Extractive Sector Transparency Measures Act - Annual Report

Reporting Entity Name	Gear Energy Ltd					
Reporting Year	From	1/1/2017	To:	12/31/2017	Date submitted	5/29/2018
Reporting Entity ESTMA Identification Number	E549730		<input checked="" type="radio"/> Original Submission <input type="radio"/> Amended Report			
Other Subsidiaries Included (optional field)	N/A					
Not Consolidated						
Not Substituted						
Attestation by Reporting Entity						
<i>In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.</i>						
Full Name of Director or Officer of Reporting Entity	David Hwang				Date	5/29/2018
Position Title	VP Finance, CFO					

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Reporting Entity Name	Gear Energy Ltd			
Reporting Entity ESTMA Identification Number	E549730			
Subsidiary Reporting Entities (if necessary)				

Payments by Payee

Country	Payee Name ¹	Departments, Agency, etc... within Payee that Received Payments ²	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes ³⁴
Canada	Government of Alberta			2,380,000	950,000		220,000			3,550,000	Royalties include payments made in-kind which are valued at the fair market value of the volumes taken in-kind, based on Gear's realized price. Alberta Petroleum Marketing Commission, Alberta Energy Regulator, Minister of Finance, Department of Energy
Canada	Government of Saskatchewan		410,000	1,560,000	230,000		540,000			2,740,000	Saskatchewan Finance
Canada	County of Vermillion River		1,150,000		70,000				390,000	1,610,000	
Canada	Ponoka County		220,000		50,000					270,000	
Canada	County of St Paul		230,000							230,000	
Canada	Flagstaff County		190,000							190,000	
Canada	Rural Municipality of Frenchman's Butte		160,000		20,000					180,000	
Canada	Rural Municipality of Paynton		130,000							130,000	
Canada	Red Deer County		110,000							110,000	
Canada	Rural Municipality of Eldon		110,000							110,000	

Additional Notes:

Financial Reporting Framework

a) Basis of accounting:
The Schedule of Payments by Payee and the Schedule of Payments by Project (collectively, the "Schedules") prepared by Gear Energy Ltd. (the "Company") for the year ended December 31, 2017 have been prepared in accordance with the financial reporting provisions in Section 9 of the Extractive Sector Transparency Measures Act, Section 2.3 of the Extractive Sector Transparency Measures Act – Technical Reporting Specifications and Sections 3.1 to 3.6 of the Extractive Sector Transparency Measures Act – Guidance (collectively the "financial reporting framework"). The Schedules are prepared to provide information to the Directors of Gear Energy Ltd. and the Minister of Natural Resources Canada to assist in meeting the requirements of the Extractive Sector Transparency Measures Act. As a result, the Schedules may not be suitable for another purpose.

b) Significant accounting policies:

i) Cash basis
The Schedules have been prepared using the cash basis of accounting, as required by the financial reporting framework, and therefore exclude any accruals related to payments due to governments. The Schedules include all cash payments made, without inclusion of cash inflows from a government. Where the Company makes a payment to a government that is net of credits from that government, the net payment amount has been presented.

ii) Projects
The Company has aligned its projects with its cash generating units as determined for financial statement reporting purposes under International Financial Reporting Standards ("IFRS").

iii) Operator
The Company has reported all payments made by it, on its own behalf and in its role as operator, directly to the government on a 'gross' basis. Amounts paid by third party operators on the Company's behalf have not been included in the Schedules as they are reported in the third party operators' ESTMA filings.

iv) Take in kind payments
In-kind payments are converted to an equivalent cash value based on the fair market value of the volumes taken in-kind, based on Gear's realized sales price. The Company has valued all in-kind payments included in the Schedules using calculations that are consistent with those made for financial reporting purposes under IFRS.

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Subsidiary Reporting Entities (if necessary)						

Payments by Project

Country	Project Name ¹	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes ²³
Canada	Heavy Oil	2,180,000	3,054,000	1,020,000		730,000		390,000	7,374,000	Royalties include payments made in-kind which are valued at the fair market value of the volumes taken in-kind, based on Gear's realized price.
Canada	Alberta West	530,000	886,000	300,000		30,000			1,746,000	Royalties include payments made in-kind which are valued at the fair market value of the volumes taken in-kind, based on Gear's realized price.

Additional Notes³:

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