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Monthly Update

Vol. 2 Issue 1

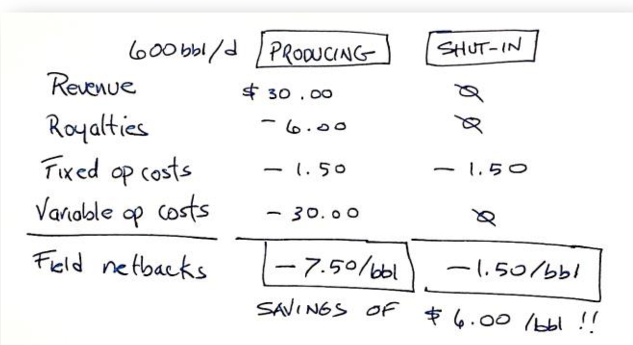
From the desk of Ingram Gillmore, President & CEO

A shareholder gave me a quick call after we released our revised 2015 capital budget. He was very supportive of the near term capital reduction but was a little confused as to why we would shut in existing production. I think the explanation for that operational decision is a great opportunity to remind everyone of Gear's strategy of targeting growth in cash flow per share for the long term.

To be successful we need to ensure that we are not selling our barrels at a loss, and we need to focus on continuously reducing the costs to produce each barrel we sell. With that in mind, I would like to clarify the economics of our recent decision to shut in higher cost oil production. It may appear counterintuitive that reducing production will actually increase cash flow; however, I think the math is pretty clear.

Through January we had shut in approximately 600 bbl/d of uneconomic oil production. That oil could have been produced if we were willing to pay three different types of costs. The first is the Crown and freehold royalties; currently estimated at approximately $6/bbl. The second is variable expenses that are related to production and only charged if the wells are actually producing, including trucking, servicing, maintenance, labor, energy, chemicals, etc. These costs on the shut in wells were approximately $30/bbl. Thirdly, are the fixed operating costs that are unavoidable like taxes, licenses and lease rentals that are paid regardless if the well produces or not. These fixed costs are approximately $1.50/bbl. The first two types of costs can be avoided by shutting in production. However, the third category is unavoidable even if the wells are shut in.

For January the estimated Gear oil price is $30/bbl, so the simple math on the shut in decision looks like this:



By shutting in that 600 bbl/d, Gear was able to increase January cash flow by approximately $112,000. It doesn't sound like much, but it improved January's netback by approximately $0.50/boe, and every little bit helps. For comparison purposes, just a few short months ago those same barrels realized revenue of more than $60/bbl and provided a field netback closer to $20/bbl.

The majority of these shut in wells have been producing for a long time and have already recovered the capital expenditures required to bring them on production. However, another important factor to consider is that the oil available from each of these wells is finite and will eventually run out. With that in mind, we focus on maximizing the full life cash flow from the wells. For now that means the best decision is to keep those barrels stored in the ground until we see an opportunity to sell them in the future at higher prices.

We made a similar strategic decision near the end of 2013 when we shut in approximately 140 boe/d of negative cash flow gas production. Those gas wells were losing Gear approximately $30,000 per month and we currently do not believe those wells are capable of yielding positive cash flow until gas prices exceed $4.50/mcf. If anyone is interested in buying those gas assets, please give me a call, we can work out a great deal!

With regards to the 600 bbl/d of shut in oil, I currently think we will need to see a realized Gear price in the $50/bbl CAD range before we start talking about bringing any of it back on production. Notionally that will require a stabilized WTI oil price of greater than $60/bbl USD.

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

Capital * *($k CAD)*	**2013**	Q1 14	Q2 14	Q3 14	Nov	Dec	Q4 14	**2014**	Jan
Drill & Complete	33,701	16,374	6,741	19,638	4,979	1,770	11,891	54,644	500
Facilities	16,629	7,322	3,541	6,434	1,264	2,444	7,564	24,861	1,277
Land & Seismic	3,146	264	1,957	1,201	-56	456	1,449	4,870	73
A&D	83	12	79,086	1,451	0	-303	-1,028	79,521	82
Other	-92	348	89	41	104	-48	65	544	0
TOTAL	**53,467**	**24,320**	**91,414**	**28,765**	**6,291**	**4,319**	**19,941**	**164,441**	**1,932**

Production * *(boe/d)*	**2013**	Q1 14	Q2 14	Q3 14	Nov	Dec	Q4 14	**2014**	Jan
Sales	**4,079**	**4,158**	**6,170**	**6,712**	**7,079**	**6,935**	**7,001**	**6,020**	**7,142**
Field	3,996	4,382	6,086	6,844	7,229	7,453	7,277	6,147	6,768

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