GEAR ENERGY

Monthly Update

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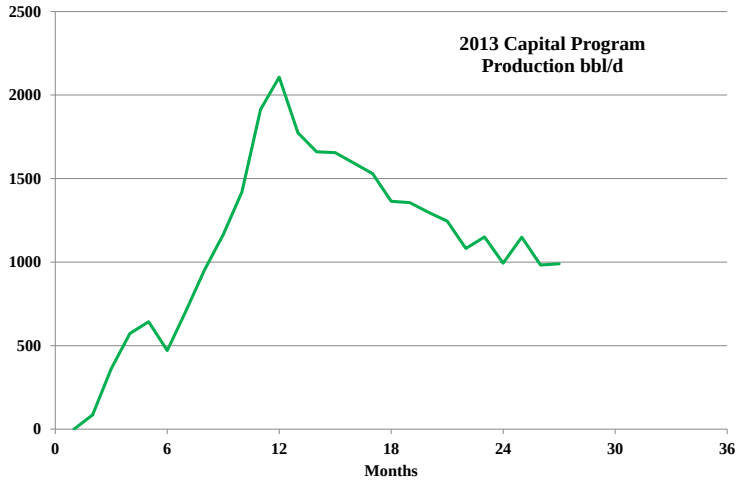
From the desk of Ingram Gillmore, President & CEO

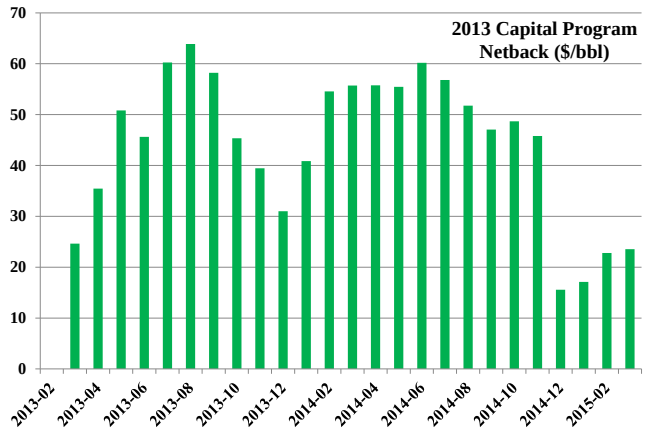
At Gear it is a regular occurrence for us to look back on our previous activities and evaluate the results to ensure that we are creating value with our investments. During a recent review of our 2013 drilling (and recompletion) program we were pleased to see that our 2013 development capital investment was days away from the important milestone of achieving payout. Payout is the day when the cash flow from the developed assets pays back all the invested capital, so all the future fund flows are profit. I thought it would be interesting to walk through some details of the calculation.

During 2013, Gear invested $42.1 million to drill 42 net oil wells and perform a few select recompletions. Almost 60% of the wells drilled were within the Wildmere Lloydminster pool, followed by 20% in Maidstone, 10% in the Wildmere Cummings and the remaining drills and recompletions spread across various other assets. The production that resulted from this activity peaked at more than 2,000 bbl/d and is still currently producing about 1,000 bbl/d.



Doing a quick analysis on the results yields half cycle capital efficiency for 2013 of approximately $27,000/boe/d. This is calculated by dividing the invested capital of $42.1 million by the 12 month peak average of about 1,600 bbl/d.

The more important part of the review is to measure the cash flow realized from this new production. Since this production was initiated, the average royalty paid was 20%, and the average total operating cost including transportation has been $11.58/bbl. Those numbers, like the capital efficiency number, all seem pretty reasonable compared to our expectations. However, the biggest variable in the cash flow equation is the one thing that is most difficult to control; the price of oil. Not surprisingly, across the productive period shown above, the realized netbacks for the 2013 capital program have been quite variable.



For the first 21 months, the average cash flow was approximately $50/bbl. But of course the world changed at the end of 2014 with the oil price correction and for the last four months that cash flow has averaged under $20/bbl. Fortunately, with the recent strength in WTI pricing and the narrow WCS differentials, the cash flow estimate on the 2013 production is now trending back over $30/bbl.

The good news is that despite the volatility, cash flow from the 2013 program has been very strong, and as of today, (approximately 1.5 years after achieving peak production) it has paid back all of the $42.1 million invested. That means Gear's 2013 program is now providing approximately 1,000 bbl/d of production generating almost $1 million a month that can all be directed to potential new growth opportunities.

Perhaps even more exciting than the success of our 2013 program is the fact that Gear's planned 2015 capital investments currently estimate superior capital efficiencies and lower royalties than those achieved in 2013. These predicted improvements are a result of new pools being added to the portfolio, like Morgan and Paradise Hill, as well as the addition of multi-lateral drilling to our toolbox. I am cautiously optimistic that in a couple of years the 2015 analysis could look materially better than this one.

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

Capital *

($k CAD)	Q1 14	Q2 14	Q3 14	Q4 14	**2014**	15-Feb	15-Mar	Q1 15	15-Apr
Drill & Complete	16,374	6,741	19,638	11,891	54,644	-84	-2,179	-1,763	13
Facilities	7,322	3,541	6,434	7,564	24,861	213	104	1,594	708
Land & Seismic	264	1,957	1,201	1,449	4,870	233	26	332	4
A&D	12	79,086	1,451	-1,028	79,521	-227	13	-132	0
Other	348	89	41	65	544	6	2	8	137
TOTAL	**24,320**	**91,414**	**28,765**	**19,941**	**164,441**	**141**	**-2,034**	**39**	**862**

Production (boe/d) *

Sales	**4,158**	**6,170**	**6,712**	**7,001**	**6,020**	**6,399**	**6,308**	**6,624**	**5,311**
Field	4,382	6,086	6,844	7,277	6,147	6,303	5,923	6,332	5,551

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