GEAR ENERGY

Monthly Update

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From the desk of Ingram Gillmore, President & CEO

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

Capital *

($k CAD)	Q3 14	Q4 14	**2014**	Q1 15	Q2 15	Aug-15	Sep-15	Q3 15	Oct-15
Drill & Complete	19,638	11,891	54,644	-1,763	1,656	1,677	16	4,899	2,089
Facilities	6,434	7,564	24,861	1,594	1,957	594	253	1,396	935
Land & Seismic	1,201	1,449	4,870	332	332	9	285	314	2
A&D	1,451	-1,028	79,521	-132	-554	0	0	0	0
Other	41	65	544	8	340	2	-182	-177	0
TOTAL	**28,765**	**19,941**	**164,441**	**39**	**3,731**	**2,282**	**372**	**6,432**	**3,026**

Production (boe/d) *

Sales	**6,712**	**7,001**	**6,020**	**6,624**	**5,632**	**6,270**	**4,976**	**5,430**	**5,025**
Field	6,844	7,277	6,147	6,332	5,642	5,809	5,361	5,531	5,209

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

The good news today is that our $25.8 million financing has officially closed and the money is now in the bank. I would personally like to thank all of our shareholders for their continued support of Gear Energy.

It has been an exceptionally busy month…

- We built and released our 2016 budget, which has me excited because I see us funding a resumption of production growth through the year while only spending cash flow, (as long as the WTI oil price averages at or above US $48/bbl).

- We, (as mentioned above), successfully completed a $25.8 million dollar financing, ($11 million of common equity and $14.8 million of convertible debentures). Although I am not over the moon about the dilution, I am confident that the materially reduced debt position in light of a continued weak commodity price expectation leaves Gear in a strong position to continue doing what we do best; investing in low risk, high rate of return heavy oil projects.

- And last but not least, we released our third quarter results which included some pretty good numbers despite the very low oil price, including a realized cash flow net back of $14.84/boe and an annualized net debt to cash flow ratio of 2.4 times

It is those two numbers from the third quarter that I would like to focus on briefly. And more importantly I would like to compare those results to peers and then relate it all back to share prices. Bear with me while I do a little math first.

A common measure of a company is called a debt adjusted cash flow multiple or DACFM and for this comparison I calculated it as follows: DACFM = EV / (Q3 CF + I)*4

Where: EV is Enterprise Value which in our case is the September 30th share price of $0.68 multiplied by 70.817 million shares plus the Q3 net debt of $71.8 million for a total Enterprise Value of $119.9 million.

(Q3 CF + I)*4 is the annualized quarterly cash flow of $7.4 million plus the interest costs of $0.7 million which multiplied by four equals $32.1 million.

So Gears Q3 DACFM is calculated to be $119.9 / $32.1 = 3.7 times. This number was the fourth lowest Q3 multiple of the entire peer group.

To get some perspective on Gears numbers I went to www.sedar.com and did the exact same calculations for a group of other oil weighted Canadian energy companies. For clarity, all these calculations for Gear were done before any consideration for the recent financing.

Companies are typically supported with higher share prices by investors if they have higher netbacks per boe and if they have lower debt levels relative to their cash flow. We believe Gear has competitive metrics in both of these critical measures even before considering the closing of our financing this morning.

The red lines on the charts are the averages.