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:

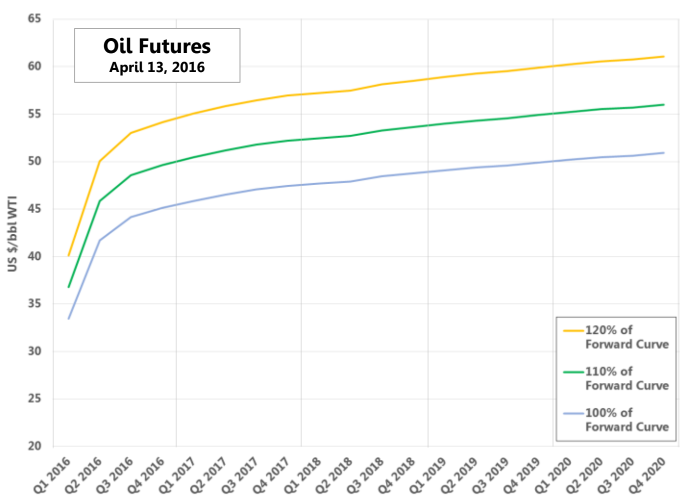
Capital * ($k CAD)	Q1 15	Q2 15	Q3 15	Q4 15	2015	Jan-16	Feb-16	Mar-16	Q1 16
Drill & Complete	-1,763	1,656	4,899	2,109	6,901	113	-28	6	91
Facilities	1,893	1,957	1,396	1,867	7,113	-31	111	145	225
Land & Seismic	332	332	314	462	1,440	-14	-12	-3	-29
A&D	-133	-554	0	0	-687	-80	-400	0	-480
Other	-290	340	-177	-443	-570	-10	-25	-151	-186
TOTAL	**39**	**3,731**	**6,432**	**3,995**	**14,197**	**-22**	**-354**	**-3**	**-379**

Production (boe/d) *									
Sales	**6,624**	**5,632**	**5,430**	**5,015**	**5,670**	**4,665**	**4,349**	**4,284**	**4,435**
Field	6,332	5,642	5,531	5,011	5,625	4,560	4,485	4,245	4,428

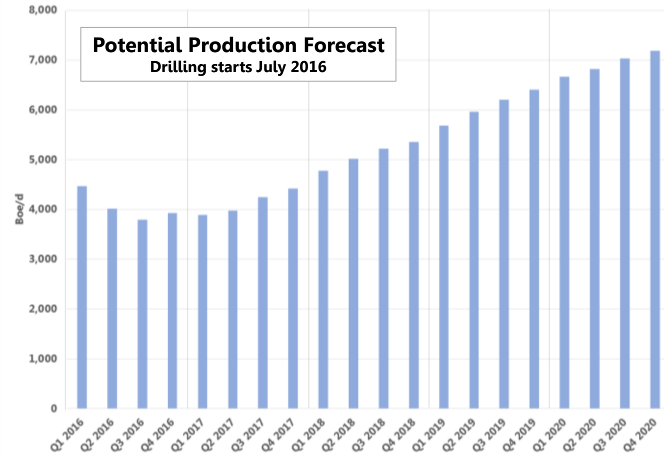
** Estimates based on field data, actuals will vary from estimates due to accruals and adjustments. Such variances may be material.*

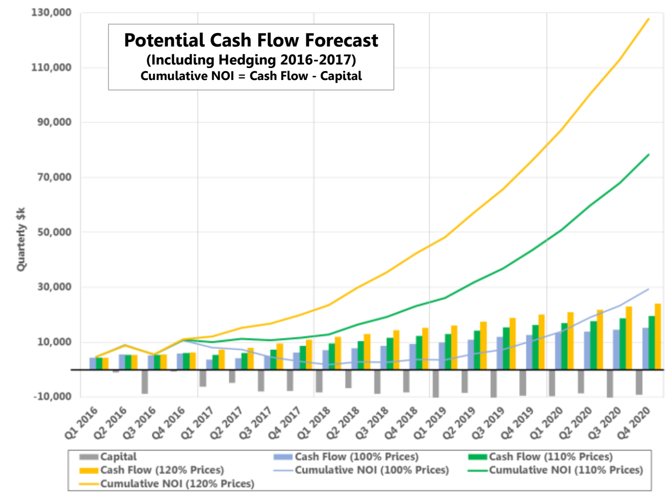
So… what does an oil price recovery look like for Gear Energy? That is the question that we tried to answer in our latest corporate presentation by building a five year, long range model. It is one thing to say that our wells are economic to drill at current prices, but what could it all look like if we schedule out multiple years of drilling and forecast capital, production, cash flow and of course net debt.

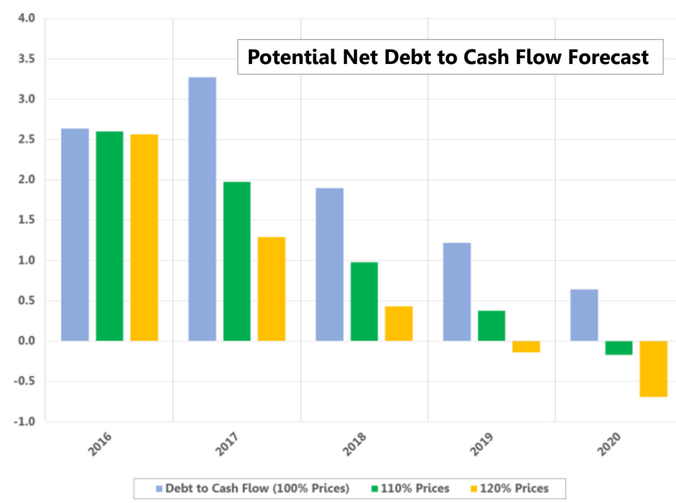
The recent forward curve oil prices are shown below, and to help quantify a potential recovery, we added 10 and 20 per cent to the curves. (Make sure to read the model assumptions, and reader advisories in the corporate presentation on our website www.gearenergy.com)



By investing capital within cash flow for the base case (100% of forward curve) oil prices, we forecast steady production growth throughout the five year model. By then applying the cost assumptions outlined in the presentation, we are able to forecast the resulting cash flow potential from the risked production forecast. The important observation comes when you plot the cumulative net operating income ('NOI') (which is cash flow minus capital) and you see that at current prices Gear can provide this steady growth while spending within forecasted cash flow.







The important thing to note is that with only small increases in oil prices, the cumulative NOI forecast improves dramatically. The last chart demonstrates Gear's ability to successfully operate in the currrent environment while strenghtening the balance sheet and, with only a modest improvement in prices achieve robust and profitable growth. So in summary, I think Gear looks pretty good at current prices, and really good in an oil price recovery.