September 28, 2016

Monthly Update

Vol. 3 Issue 7

From the desk of Ingram Gillmore, President & CEO

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

Capital * ($k CAD)	Q2 15	Q3 15	Q4 15	2015	Q1 16	Jun-16	Q2 16	Jul-16	Aug-16
Drill & Complete	1,656	4,899	2,109	6,901	91	606	593	2,037	2,405
Facilities	1,957	1,396	1,867	7,113	225	921	1,337	593	180
Land & Seismic	332	314	462	1,440	-29	8	42	11	254
A&D	-554	0	0	-687	-480	-16	29	75	**57,706**
Other	340	-177	-443	-570	-186	-807	-809	0	0
TOTAL	**3,731**	**6,432**	**3,995**	**14,197**	**-379**	**712**	**1,192**	**2,716**	**60,545**

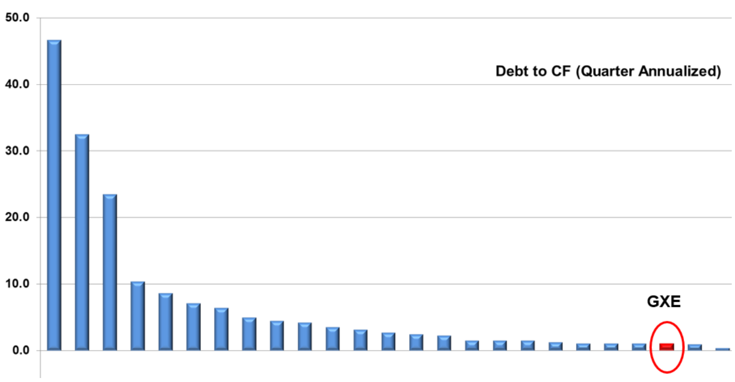
Production (boe/d) *									
Sales	**5,632**	**5,430**	**5,015**	**5,670**	**4,435**	**5,428**	**4,536**	**4,187**	**5,762**
Field	5,642	5,531	5,011	5,625	4,453	4,184	4,112	4,109	5,649

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

Earlier this month I attended the Peters&Co energy conference in Toronto to update existing and new investors on Gear Energy. We had a lot of interest in Gear with strong attendance at my formal presentation as well as 12 meetings with investors and sales desks. I consistently focused discussions on two main points; **Gear now has a very strong balance sheet** and we have all the ingredients to **grow while investing within forecasted cash flow at current strip prices**.

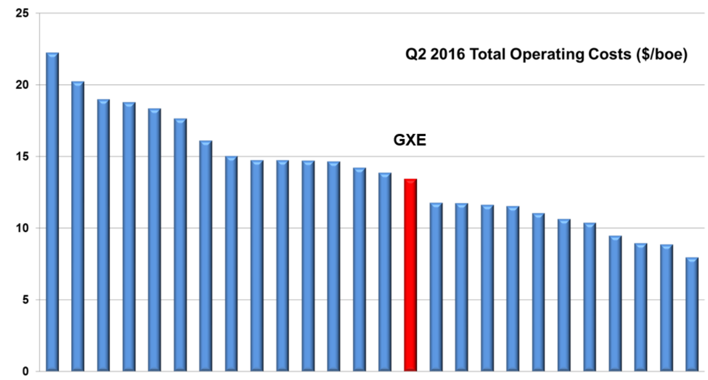
I thought it might be worthwhile to support those claims with a couple of charts from my routine analysis of industry quarterly reports. I think the charts do a good job of highlighting some of Gear's strong attributes. This data is all for the second quarter of 2016 and is sourced from SEDAR.com for 25 publically traded Canadian oil and gas companies.

Gear has a very strong balance sheet. With a reported ratio of 1.0 times net debt to annualized quarterly cash flow, Gear was top three in the entire peer group. This means Gear has material downside protection despite the continuing volatile commodity price environment and Gear also has significant optionality in considering future investment opportunities. We are currently forecasting our fourth quarter to also be at approximately a 1.0 times ratio with the first full quarter of new cash flow from the Striker acquisition.



It may be shocking to note that this chart had to be scaled up to a ratio of 50 times net debt to annualized cash flow to include all of the current peers. Unfortunately, continued commodity price weakness is knocking peers off the list faster than I can find new ones to add.

When you are faced with weak and volatile commodity prices, you need to buckle down and compress your costs, or you will not survive. At Gear we continue to do well in this regard, with our second quarter in a row of record low total operating costs per unit (operating plus transportation costs). Gear continues to be on track to achieve our 2016 guidance for total operating costs of $14.00 to $16.00 per boe, which has us ranking above average in a peer group that does not include many heavy oil companies anymore.

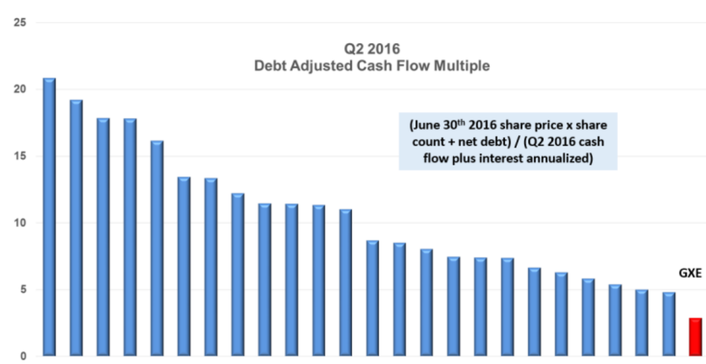


It really is all about the costs when it comes to forecasting **growth within cash flow at current strip prices**. We have worked very hard on all the factors necessary to ensure this goal becomes a reality. The key estimates are listed below that will support our stated target of growing approximately 10% through 2017 while spending within cash flow:

- Total operating, transportation, G&A and interest costs of $18.00 per boe or less.
- Royalties of approximately 10%
- Base production decline in the low 30% range
- Full year development capital efficiency of approximately $12,500 to $13,500/boe/day

In the coming months we will release our detailed 2017 budget with our refined estimates on all these key ingredients. The bottom line is that we truly believe we have what it takes to provide low cost growth in the current market and we look forward to doing so for many years to come.

The last chart from my analysis shows the ratio of enterprise value to quarterly debt adjusted cash flow. There is a lot going on in this chart but the simple conclusion is one that I heard a lot in Toronto, "for a company with so much promise… Gear sure seems cheap"



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