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 *

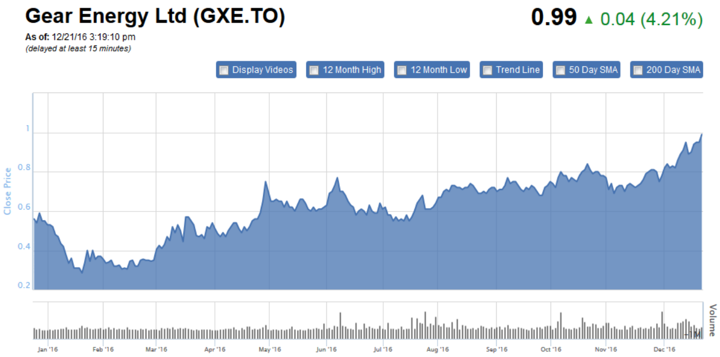
($k CAD)	Q3 15	Q4 15	2015	Q1 16	Q2 16	Sep-16	Q3 16	Oct-16	Nov-16	Q4 16 QTD
Drill & Complete	4,899	2,109	**6,901**	91	593	1,292	5,734	25	1,356	1,381
Facilities	1,396	1,867	**7,113**	225	1,337	623	1,396	176	1,186	1,362
Land & Seismic	314	462	**1,440**	-29	42	22	287	495	387	882
A&D	0	0	**-687**	-480	29	60	57,841	-261	107	-154
Other	-177	-443	**-570**	-186	-809	-329	-329	-20	0	-20
TOTAL	**6,432**	**3,995**	**14,197**	**-379**	**1,192**	**1,668**	**64,929**	**415**	**3,036**	**3,451**

Production (boe/d) *

	Q3 15	Q4 15	2015	Q1 16	Q2 16	Sep-16	Q3 16	Oct-16	Nov-16	Q4 16 QTD
Sales	**5,430**	**5,015**	**5,670**	**4,435**	**4,536**	**6,373**	**5,420**	**5,868**	**6,108**	**5,986**
Field	5,531	5,011	**5,625**	4,453	4,112	6,292	5,447	6,128	5,862	5,997

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

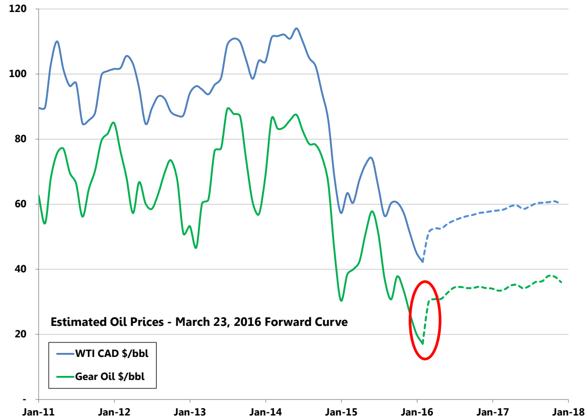
I do not know what tomorrow will bring, but I can tell you that today was a good day. GXE stock closed at a 52 week high of $0.99 a share, a far cry from the intraday low back in January of $0.25 a share, which is coincidentally when oil prices dipped into the US $20 per barrel range for the first time in twelve years.



What a year it has been.

Reading over the last twelve Gear monthly updates really provides some perspective on how we were all feeling as the year unfolded. The January letter set the tone, with a big focus on debt and how it was likely going to be a recurring challenge in the energy space. Unfortunately those were not just words, in fact almost 40% of the companies we benchmarked our debt against have not survived the year. The Gear team worked hard to not be on that list. However, the winter was not without its pain, the record low oil prices sadly resulted in some tough decisions being made including having to accept some shareholder dilution, cut staff, and cut compensation across the board. This business is not for the faint of heart.

Through the spring the theme started to defrost a little as our sentiment shifted towards ‘torque to the upside’. The math was easy to demonstrate, considering the fact that within a short period of time our received field oil prices recovered approximately 200% from the record low prices seen in February.



The cautious optimism increased further as we approached the summer with a successful financing in June and a long awaited return to economic drilling activity. Even the government suddenly dropping new liability restrictions on the industry couldn’t dampen our momentum.

Then we closed the Striker Exploration deal in July and we were so enthusiastic that it got a monthly letter of its own. The team remains excited about the light oil diversification, the costs synergies and the financial stability that the transaction helped catalyze. We will be even more excited to provide updates on the results of activity on our new light oil assets early in 2017.

After the Striker deal closed it was time to finally get back on the road and start marketing the ‘new’ Gear. The monthly updates matched the message that I distributed across Canada; Gear has low costs, low debt, a deep inventory of opportunities, and the ability to economically grow within cash flow at strip prices. And all of these attributes could be purchased at very low cash flow trading multiples relative to peers.

At the tail end of the marketing trips I knew the tone on energy was improving when I started fielding questions about potential hedging losses if prices got too strong. That positive sentiment was even more amplified after our friends at OPEC announced their plans to try and accelerate the balance of supply and demand in the oil market.

Now as we look to the beginning of a new year, the Gear team is preparing for the delivery of a $45 million development capital budget, our most ambitious in three years and more than three times the organic capital invested in either 2015 or 2016. The plan, of course, is to deliver on our forecast to grow within cash flow while keeping costs low, keeping debt low and continuing to expand the depth of future opportunities. While this last year has been interesting, the team are looking forward to perhaps a more straightforward 2017 where all eyes are focused on growth again. All the best for the New Year!