

## FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

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

<b>Capital *</b>											
<i>(\$k CAD)</i>											
	Q4 15	2015	Q1 16	Q2 16	Q3 16	Oct-16	Nov-16	Dec-16	Q4 16	2016	
Drill & Complete	2,109	<b>6,901</b>	91	593	5,734	25	1,356	1,702	3,083	<b>9,501</b>	
Facilities	1,867	<b>7,113</b>	225	1,337	1,396	176	1,186	742	2,104	<b>5,062</b>	
Land & Seismic	462	<b>1,440</b>	-29	42	287	495	387	96	978	<b>1,278</b>	
A&D	0	<b>-687</b>	-480	29	57,841	-261	107	80	-74	<b>57,316</b>	
Other	-443	<b>-570</b>	-186	-809	-329	-20	0	-133	-153	<b>-1,477</b>	
<b>TOTAL</b>	<b>3,995</b>	<b>14,197</b>	<b>-379</b>	<b>1,192</b>	<b>64,929</b>	<b>415</b>	<b>3,036</b>	<b>2,487</b>	<b>5,938</b>	<b>71,680</b>	

### **Production (boe/d) \***

	5,015	5,670	4,435	4,536	5,420	5,868	6,108	6,629	6,203	5,152
Sales	5,011	5,625	4,453	4,112	5,567	6,310	6,036	6,006	6,118	5,067
Field										

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

This letter will be a brief one. The team is busy winding up the year-end accounting and reserves as well as managing two drilling rigs and a frac crew. It is great to be busy again.

If you have taken a look at the cover of our recent January corporate presentation you may have noticed something new for Gear. For the first time as a company, Gear installed a pump jack. As you may be aware, heavy oil operations are produced exclusively with progressive cavity pumps, also called PCP's or 'screw pumps'. These pumps have been around since the early 90's and are far more capable at handling sand production than your typical pump jack, but they don't make for very exciting photos.

At the end of last year when Gear drilled two light oil wells in the Basal Belly River at Wilson Creek, we got the chance to finally purchase and install our first ever pump jack.

This is a photo of the new 9-19-42-04W5 Wilson Creek well. This horizontal well was drilled through approximately 2.5 times more oil pay and had almost three times more frac sand placed than the average of the two existing Basal Belly River wells in Wilson Creek. This well and the follow up well drilled at 16-33-42-04W5 both were successfully rig released in areas of the Basal Belly River reservoir with no material adjacent historical production which should provide good reservoir support for initial production. The 16-33 well has even more exposure to the reservoir, with approximately three times the pay of the previous half section wells.

Production from the 9-19 well continues to be optimized and the 16-33 well is currently being frac'd after a fairly lengthy delay due to increased demand on services as we adjust to the world of stronger oil prices.

The Gear team remains encouraged by the early results in Wilson Creek. We look forward to releasing detailed results with our year-end reporting on these two wells in addition to an update on the three new wells that are planned to be drilled before break-up. The year-end results are currently scheduled for release on February 15, 2017.

