Monthly Update

March 1, 2017
Vol. 4 Issue 2

FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

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

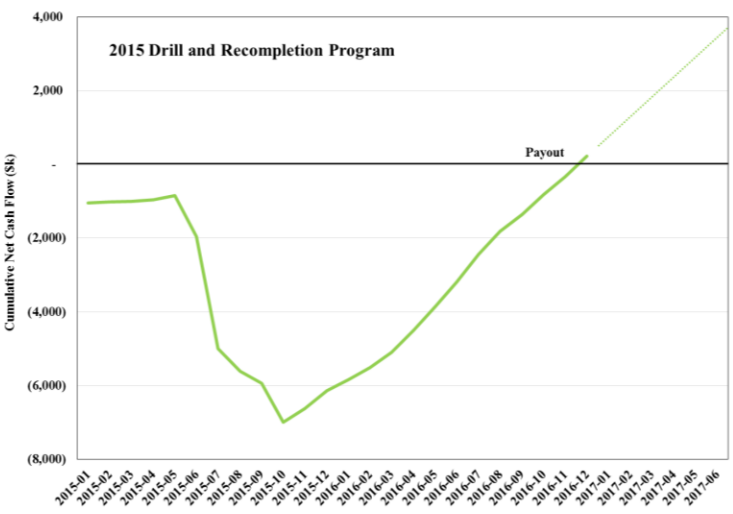
Capital * ($k CAD)	Q4 15	**2015**	Q1 16	Q2 16	Q3 16	Nov-16	Dec-16	Q4 16	**2016**	Jan-17
Drill & Complete	2,109	**6,901**	91	593	5,734	1,356	1,702	3,083	**9,501**	4,312
Facilities	1,867	**7,113**	225	1,337	1,396	1,186	744	2,106	**5,064**	673
Land & Seismic	462	**1,440**	-29	42	287	387	96	978	**1,278**	938
A&D	0	**-687**	-480	29	58,141	107	80	-74	**57,616**	30
Other	-443	**-570**	-186	-809	-384	0	-80	-100	**-1,479**	0
TOTAL	**3,995**	**14,197**	**-379**	**1,192**	**64,929**	**3,036**	**2,542**	**5,993**	**71,980**	**5,953**

Production (boe/d) *										
Sales	**5,015**	**5,670**	**4,435**	**4,536**	**5,420**	**6,108**	**6,629**	**6,203**	**5,152**	**5,756**
Field	5,011	5,625	4,453	4,112	5,567	6,036	6,006	6,118	5,067	5,806

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

As previously released in our year end MD&A, We expected volumes in January to be temporarily impacted by pipeline restrictions. February and March will be back on track as per guidance.

There were many highlights to share in our 2016 year end reporting, but one accomplishment went by without notice until we recently updated our lookback analyses. In December of 2016 we successfully paid out our 2015 drilling and recompletion program.



As everyone will recall, we came into 2015 with a very uncertain oil price outlook. And then after break up, the prices started to strengthen (at least temporarily) which motivated the Gear team to initiate a small development program through the summer of 2015 that included 12 successful horizontal oil drills and 20 recompletions.

The chart shows the monthly cash flow from that 2015 program net of monthly invested development capital and you can see that the peak capital investment occurred in October of 2015.

Now 14 months after that peak, the entire program has paid out and is generating free cash flow. It is pretty amazing actually, when you think about the fact that through 2016 Gear experienced record low prices for its heavy oil, and still managed to pay out the prior year's development program. And now the program is generating significant free cash flow that can be re-invested in new growth opportunities. It all boils down to the same things that I try to highlight to investors about our opportunity base, these horizontal wells come on at sub $10/boe operating costs and low single digit royalties that result in positive competitive cash flow even in a low price environment.

You can take the analysis one step further and expand it to more of a full cycle lookback by assuming that the 2015 development program is not truly paid out until the approximate $4 million of other non-development capital from 2015 is also paid out. Fortunately, the production from this program is still generating about $600,000 a month, so in simple terms, that full cycle payout will be reached in about 6 more months, for a total payout period of approximately 20 months, or just over 1.6 years. And as I already mentioned, that is through a period of the lowest realized oil prices we have ever seen as a corporation.

We perform these lookbacks to continually assure ourselves that the capital we are investing is delivering the positive results that our shareholders have come to expect, and it gives us a chance to adjust our future assumptions to try and improve those results year over year.

Hopefully I am sharing a similar positive story on our successful 2016 program in a few months.