

## Extractive Sector Transparency Measures Act Report

**Reporting Year** From: 1/1/2016 To: 12/31/2016  
**Reporting Entity Name** Gear Energy Ltd.  
**Reporting Entity ESTMA Identification Number** E549730  
**Subsidiary Reporting Entities (if necessary)** N/A

**Attestation: Please check one of the the boxes below and provide the required information**

**Attestation ( by Reporting Entity)**

*In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.*

**Attestation (through independent audit)**

*In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest that I engaged an independent auditor to undertake an audit of the ESTMA report for the entity(ies) and reporting year listed above. Such an audit was conducted in accordance with the Technical Reporting Specifications issued by Natural Resources Canada for independent attestation of ESTMA reports.*

*The auditor expressed an unmodified opinion, dated [ENTER DATE: YYYY-MM-DD] , on the ESTMA report for the entity(ies) and period listed above.  
The independent auditor's report can be found at [INSERT WEBLINK TO AUDIT OPINION POSTED ONLINE – link should be on same page as report link]*

**Director or Officer of Reporting Entity Full Name:** David Hwang  
**Position Title:** VP Finance, CFO

**Date:** 25-May-17

## Extractive Sector Transparency Measures Act - Annual Report

Reporting Year  
Reporting Entity Name

From: 1/1/2016 To: 12/31/2016  
GEAR ENERGY LTD.

Reporting Entity ESTMA Identification  
Number

E549730

Subsidiary Reporting Entities (if  
necessary)

N/A

### Payments by Payee

Country	Payee Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes
CANADA	County of St. Paul	\$ 280,000							\$ 280,000	
CANADA	County of Vermilion River	\$ 1,310,000		\$ 10,000					\$ 1,320,000	
CANADA	Flagstaff County	\$ 180,000							\$ 180,000	
CANADA	Government of Alberta	\$ 40,000	\$ 960,000	\$ 820,000					\$ 1,820,000	Includes royalties taken in-kind, see note b) iv).
CANADA	Gouvernement of Saskatchewan	\$ 200,000	\$ 1,070,000	\$ 270,000		\$ 430,000			\$ 1,970,000	
CANADA	Rural Municipality of Eldon	\$ 160,000							\$ 160,000	
CANADA	Rural Municipality of Frenchman Butte	\$ 160,000							\$ 160,000	
CANADA	Rural Municipality of Paynton	\$ 180,000							\$ 180,000	
	<b>TOTAL</b>	<b>\$ 2,510,000</b>	<b>\$ 2,030,000</b>	<b>\$ 1,100,000</b>	<b>\$ -</b>	<b>\$ 430,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,070,000</b>	

**Notes:**

**Financial Reporting Framework**

**a) Basis of accounting:**

The Schedule of Payments by Payee and the Schedule of Payments by Project (collectively, the "Schedules") prepared by Gear Energy Ltd. (the "Company") for the year ended December 31, 2016 has been prepared in accordance with the financial reporting provisions in Section 9 of the Extractive Sector Transparency Measures Act, Section 2.3 of the Extractive Sector Transparency Measures Act – Technical Reporting Specifications and Sections 3.1 to 3.6 of the Extractive Sector Transparency Measures Act – Guidance (collectively the "financial reporting framework").

The Schedules are prepared to provide information to the Directors of Gear Energy Ltd. and the Minister of Natural Resources Canada to assist in meeting the requirements of the Extractive Sector Transparency Measures Act. As a result, the Schedules may not be suitable for another purpose.

**b) Significant accounting policies:**

**i) Cash basis**

The Schedules have been prepared using the cash basis of accounting, as required by the financial reporting framework, and therefore exclude any accruals related to payments due to governments.

The Schedules include all cash payments made, without inclusion of cash inflows from a government. Where the Company makes a payment to a government that is net of credits from that government, the net payment amount has been presented.

**ii) Projects**

The Company has aligned its projects with its cash generating units as determined for financial statement reporting purposes under International Financial Reporting Standards ("IFRS").

**iii) Operator**

The Company has reported all payments made by it, on its own behalf and in its role as operator, directly to the government on a 'gross' basis. Amounts paid by third party operators, have not been included in the Schedules.

**iv) Take in kind payments**

In-kind payments are converted to an equivalent cash value based on what the Company has determined to be the most appropriate and relevant valuation method for the payment, which can be at cost or market value or such value as stated in the contract.

The Company has valued all in-kind payments included in the Schedules using calculations that are consistent with those made for financial reporting purposes under IFRS.

**v) Excluded payments**

Certain payments related to the operation of the Company's head office, payments made to governments for commercial services or payments made to governments which are not related to the commercial extraction of oil and natural gas resources have been excluded, as described in the financial reporting framework.

## Extractive Sector Transparency Measures Act - Annual Report

**Reporting Year** From: 1/1/2016 To: 12/31/2016  
**Reporting Entity Name** GEAR ENERGY LTD.  
**Reporting Entity ESTMA Identification Number** E549730  
**Subsidiary Reporting Entities (if necessary)** N/A

### Payments by Project

Country	Project Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes
CANADA	Alberta West	\$ 230,000	\$ 300,000	\$ 40,000					\$ 570,000	Includes royalties taken in-kind, see note b) iv).
CANADA	Heavy Oil	\$ 2,280,000	\$ 1,730,000	\$ 1,060,000		\$ 430,000			\$ 5,500,000	Includes royalties taken in-kind, see note b) iv).
	<b>TOTAL</b>	<b>\$ 2,510,000</b>	<b>\$ 2,030,000</b>	<b>\$ 1,100,000</b>	<b>\$ -</b>	<b>\$ 430,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,070,000</b>	

**Notes:**

**Financial Reporting Framework**

**a) Basis of accounting:**

The Schedule of Payments by Payee and the Schedule of Payments by Project (collectively, the "Schedules") prepared by Gear Energy Ltd. (the "Company") for the year ended December 31, 2016 has been prepared in accordance with the financial reporting provisions in Section 9 of the Extractive Sector Transparency Measures Act, Section 2.3 of the Extractive Sector Transparency Measures Act – Technical Reporting Specifications and Sections 3.1 to 3.6 of the Extractive Sector Transparency Measures Act – Guidance (collectively the "financial reporting framework").

The Schedules are prepared to provide information to the Directors of Gear Energy Ltd. and the Minister of Natural Resources Canada to assist in meeting the requirements of the Extractive Sector Transparency Measures Act. As a result, the Schedules may not be suitable for another purpose.

**b) Significant accounting policies:**

**i) Cash basis**

The Schedules have been prepared using the cash basis of accounting, as required by the financial reporting framework, and therefore exclude any accruals related to payments due to governments.

The Schedules include all cash payments made, without inclusion of cash inflows from a government. Where the Company makes a payment to a government that is net of credits from that government, the net payment amount has been presented.

**ii) Projects**

The Company has aligned its projects with its cash generating units as determined for financial statement reporting purposes under International Financial Reporting Standards ("IFRS").

**iii) Operator**

The Company has reported all payments made by it, on its own behalf and in its role as operator, directly to the government on a 'gross' basis. Amounts paid by third party operators, have not been included in the Schedules.

**iv) Take in kind payments**

In-kind payments are converted to an equivalent cash value based on what the Company has determined to be the most appropriate and relevant valuation method for the payment, which can be at cost or market value or such value as stated in the contract.

The Company has valued all in-kind payments included in the Schedules using calculations that are consistent with those made for financial reporting purposes under IFRS.

**v) Excluded payments**

Certain payments related to the operation of the Company's head office, payments made to governments for commercial services or payments made to governments which are not related to the commercial extraction of oil and natural gas resources have been excluded, as described in the financial reporting framework.