GEAR ENERGY

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)	Q2 17	Q3 17	Q4 17	**2017**	18-Jan	18-Feb	18-Mar	Q1 18
Drill & Complete	3,856	7,610	7,737	**33,766**	470	1,747	1,407	3,624
Facilities	2,718	3,065	5,247	**14,223**	1,244	1,439	1,059	3,742
Land & Seismic	262	288	583	**2,280**	1,333	1,417	16	2,766
A&D	128	1,636	14	**1,710**	61	364	-35	390
Other	-676	-450	-1,260	**-2,505**	0	0	-889	-889
TOTAL	**6,288**	**12,149**	**12,321**	**49,474**	**3,108**	**4,967**	**1,558**	**9,633**

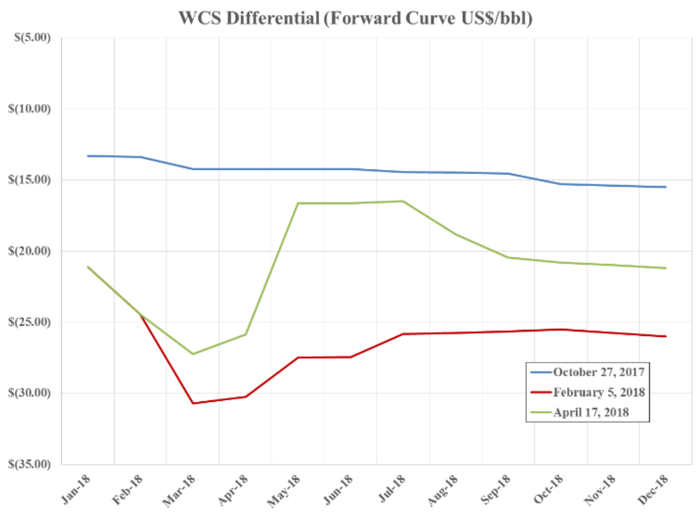
Production (boe/d) *

Sales	**6,510**	**6,525**	**7,091**	**6,511**	**7,218**	**6,778**	**5,596**	**6,522**
Field	6,468	6,646	7,380	6,648	7,331	6,995	6,123	6,810

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

Despite worsening supply challenges out of Latin America and increased demand, primarily in the United States, heavy oil prices continue to be anything but stable. If you are reading this, then you are likely well aware that the WCS differential has been even more dynamic over the last six months than usual. Quick refresher: WCS stands for Western Canadian Select and is a reference price for a batch of typical Canadian heavy oil streams, which dominantly end up at refineries in the Gulf of Mexico. The recent wild gyrations in heavy oil pricing are primarily due to the current bottlenecks restricting Canadian heavy oil flow from the markets where it is desired.

As opposed to ranting about the reasons that those bottlenecks continue to exist, I think I will jump straight to the outcome of those dynamics, specifically the actual WCS price. The WCS price is basically the WTI (West Texas Intermediate) light oil price minus the WCS differential. The volatility can be shown best in the following chart.



Six short months ago the market believed that the appropriate discount to WTI for Canadian heavy oil was an average of just under US$15/bbl for 2018. At the time everyone was aware that the biggest challenge to pipeline and rail capacity, Suncor's new Fort Hills oil sands project was going to come on stream and ramp up through the year. Despite this, the future predicted discount was only US$3/bbl wider than what was seen throughout 2017.

Three short months later, as a result of the Keystone pipeline incident and poor rail reliability, that curve widened out by over 80%, with a couple of months predicting more than US$30/bbl discounts. One might argue that the market likes to overreact a little.

Now, another couple of months later, a multitude of factors have combined to paint a significantly less dire picture. The latest 2018 average differential has compressed from February's US$26/bbl to around US$20/bbl. From what I can gather, it appears that this improvement is being influenced by a combination of planned and unplanned downtime in the oil sands, reconfigurations of the Enbridge mainline to allow the flow of more heavy oil, and continued improvement in crude-by-rail service.

So despite the fact that the Fort Hills oil sands project is rumored to have breached the 100,000 bbl/d milestone, heavy oil discounts have managed to claw back more than half of the increase in discounts that were predicted in February. If you add the recent strength of WTI oil prices into the equation, you might find yourself actually feeling optimistic about the prospects of a heavy oil company throughout the remainder of 2018. Funny how markets have a way of self-correcting.

Certain information in this monthly update is forward-looking within the meaning of certain securities laws, and is subject to important risks, uncertainties and assumptions. This forward-looking information may include, among other things, estimated production, expected cash flow and profit from certain assets of Gear, expectations of commodity prices and price differentials, demand for oil, capital expenditure budgets and estimates, royalty rates, operating costs, credit/debt requirements, and drilling inventory and locations. Readers should not rely on such forward-looking information to make investment decisions as the results or events anticipated or predicted in such forward-looking information may differ materially from actual results or events as a result of a number of factors including based on the risk factors as set forth in Gear's most recent annual information form (the "**AIF**"), which is available on this website and at www.sedar.com. Gear has based the forward-looking information on a number of assumptions including the assumptions identified in such monthly updates, which may not be realized. It has also assumed that the risk factors discussed in the AIF will not cause such forward-looking information to differ materially from actual results or events. The forward-looking information in this monthly update describes the expectations of management of Gear as of the respective dates of this monthly update and Gear does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws. Readers should not rely on the views of management of Gear as set out in this monthly update to make investment decisions with respect to Gear or other companies in the oil and gas industry and should instead consult with their own investment advisors.

This monthly update may include certain key performance indicators to analyze financial and operating performance such as cash flow from operations, cash flow from operations per debt adjusted share, production per day per thousand debt adjusted shares, operating netbacks, corporate netbacks and net debt, which do not have any standardized meaning prescribed by Canadian generally accepted accounting principles ("**GAAP**") and therefore may not be comparable with the calculation of similar measures for other entities. For additional information on these non-GAAP measures, see Gear's most recent management's discussion and analysis which is available on Gear's website at www.gearenergy.com and at www.sedar.com.

Barrel of oil equivalent ("boe") used in the monthly updates have been based on a conversion ratio of 1 barrel of oil to 6 thousand cubic feet of natural gas. A boe may be misleading, particularly if used in isolation, as such conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.