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)	Q3 17	Q4 17	**2017**	Q1 18	18-Apr	18-May	18-Jun	Q2 18	**2018 YTD**
Drill & Complete	7,610	7,737	**33,766**	3,624	424	651	2,376	3,451	**7,075**
Facilities	3,065	5,247	**14,223**	3,742	178	700	1,864	2,742	**6,484**
Land & Seismic	288	583	**2,280**	2,766	249	14	19	282	**3,048**
A&D	1,636	14	**1,710**	390	0	0	10	10	**400**
Other	-450	-1,260	**-2,505**	-889	0	0	-90	-90	**-979**
TOTAL	**12,149**	**12,321**	**49,474**	**9,633**	**851**	**1,365**	**4,179**	**6,395**	**16,028**

Production (boe/d) *

Sales	**6,525**	**7,091**	**6,511**	**6,522**	**7,307**	**7,381**	**6,377**	**7,025**	**6,775**
Field	6,646	7,380	6,648	6,810	6,421	6,796	6,370	6,532	6,670

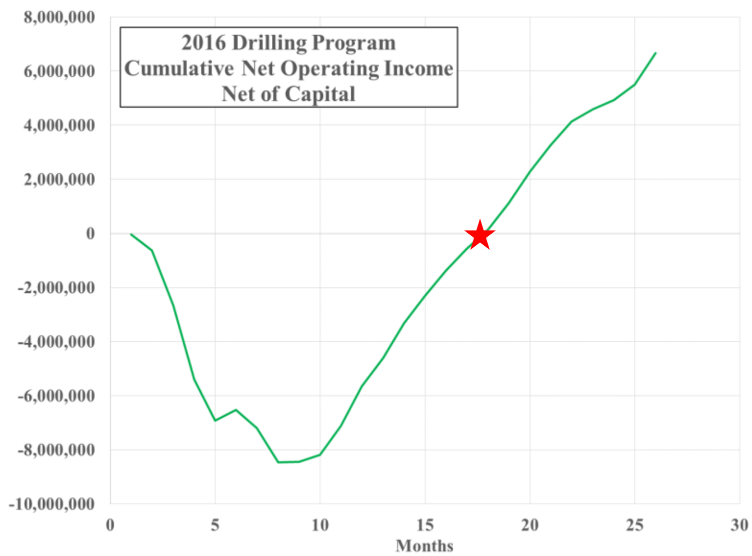
** Estimates based on field data, actuals will vary from estimates due to accruals and adjustments. Such variances may be material.*

Back in February of 2017 I wrote a letter summarizing the good news that Gear's 2015 development program had just paid out. I ended the letter saying, "Hopefully I am sharing a similar positive story on our successful 2016 program in a few months". Well, I have to admit that I dropped the ball on that one… The 2016 drilling program did successfully pay out a few months later, in October of 2017 to be specific, and so now, nine months later I guess I should finally share those excellent results.

Company corporate presentations, including ours, pretty much always include some form of prediction of individual well economics. However, it is pretty rare to see the same data presented looking back on how companies did with their actual programs. In order to complete this evaluation I dusted off our old corporate presentation from January 2016. At the time, the individual well economics for Wildmere Cummings multi-lateral and Paradise Hill drilling predicted well payouts between 1.3 and 1.7 years at $50 and $45 per barrel US WTI prices.

So how did we do in reality?

During 2016 we drilled 13 wells, including eight in Paradise Hill and three in Wildmere. At the end of the year we also drilled two Wilson Creek Basal Belly River wells. The total program was 100% successful with all 13 wells still producing oil. Including some carry-over capital into 2017, the total development capital spending was $13.1 million. To gauge the results, it is best to look at the same chart as I did for the previous evaluations. The chart is a simple plot of the cumulative net operating income with the cumulative invested capital netted out. Once the line crosses back above the zero dollar line, then you know the program has paid out. Which in this case was 17 months after the very first well was drilled, and only 10 months after the peak capital spend. With actual payout since peak capital of only 0.8 years we resoundingly beat our estimates, and that is at much lower realized pricing than we used in our original forecasts.



Some other interesting observations from this analysis.

- To create a more "full-cycle" analysis we should also burden the payout with the incremental non-development capital, which in 2016 was $1.6 million of Land, Seismic and Corporate costs. Doing so extends the payout to midway through December of 2017, or 0.9 years for total payout. Still a great result.
- In the nine months since payout, the 2016 drilling program has produced an additional $6.7 million of incremental net operating income, which divided into the $13.1 million original investment is over a 50% return, and this program is still generating over $700,000 per month (based on the last six month average)

I think it is fairly accurate to say that the 2016 capital program provided exceptional results, far better than we predicted.

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.