GEAR ENERGY

Monthly Update

August 28, 2018
Vol. 5 Issue 8

FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

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

Capital *

($k CAD)	Q4 17	**2017**	Q1 18	18-May	18-Jun	Q2 18	18-Jul	**2018 YTD**
Drill & Complete	7,737	**33,766**	3,624	651	2,376	3,451	3,817	**10,892**
Facilities	5,247	**14,223**	3,742	700	1,864	2,742	1,532	**8,016**
Land & Seismic	583	**2,280**	2,766	14	19	282	7	**3,055**
A&D	14	**1,710**	390	0	10	10	0	**400**
Other	-1,260	**-2,505**	-889	0	-90	-90	-1	**-980**
TOTAL	**12,321**	**49,474**	**9,633**	**1,365**	**4,179**	**6,395**	**5,355**	**21,383**

Production (boe/d) *

	Q4 17	2017	Q1 18	18-May	18-Jun	Q2 18	18-Jul	2018 YTD
Sales	**7,091**	**6,511**	**6,522**	**7,381**	**6,377**	**7,025**	**6,753**	**6,772**
Field	7,380	6,648	6,810	6,796	6,370	6,532	6,590	6,659

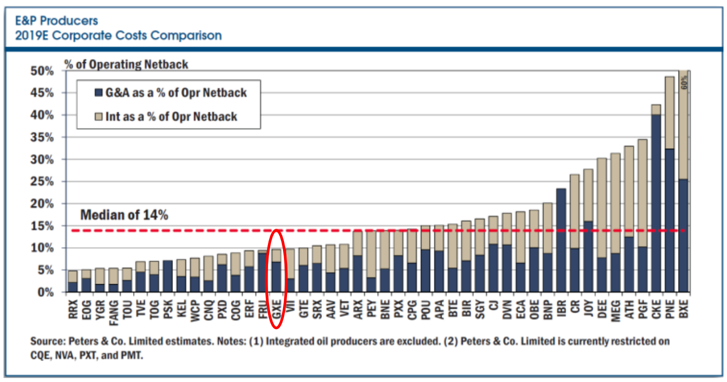
** Estimates based on field data, actuals will vary from estimates due to accruals and adjustments. Such variances may be material.*

It has been a busy summer so far at Gear with a lot of exciting developments including; the announced acquisition of Steppe Resources on July 23rd, the release of Gear's second quarter results on August 8, and of course the ongoing execution of a very ambitious 2018 drilling program.

The Steppe acquisition continues to progress. The materials have been mailed for the Steppe shareholder meeting and everything is currently on track for a September close.

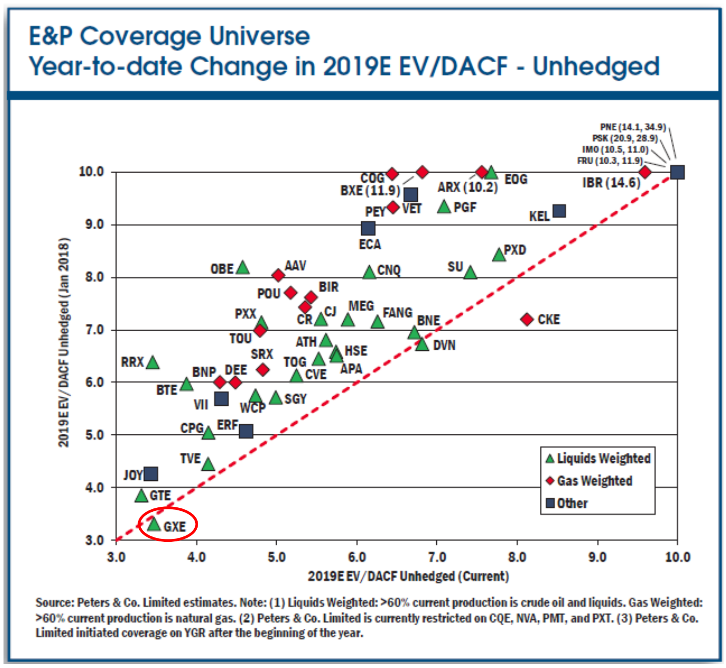
Gear's second quarter release was received well with all eight research firms issuing positive ratings including; Speculative Buy, Buy, Sector Outperform, and Outperform. Notably, the average 12 month share price target from all the firms that cover Gear came in at $1.86 per share which is comfortably more than 50 percent above the current trading level.

In addition, one of the firms put out some good charts at the end of the second quarter with estimated 2019 comparative data for all the companies they cover. The best chart shows G&A and Interest costs as a percentage of operating netback. This is an excellent metric to consider when evaluating a company's long-term strength and ability to adapt during periods of price volatility.



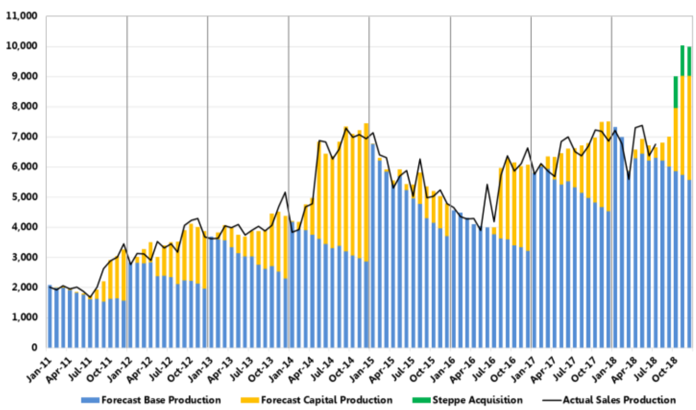
Fortunately, Gear shows up as significantly better than average on this measure and placed very well within a group that is dominated by much larger companies. This is a good place to be.

This second chart is also interesting, albeit somewhat frustrating. In this chart the same firm shows where companies were trading in relation to estimated 2019 funds from operations in January versus August 2018. The good news is that Gear's multiple improved slightly over that time period. However, it is difficult to ignore the fact that Gear is trading near the bottom of the range.



One of the reasons we continue to hear from third parties regarding Gear's discounted trading multiple is scale. Although there are some exceptions, it does appear that smaller companies seem to trade at lower multiples.

Fortunately, as a side effect of our cash flow funded drilling budget, we are actively working to remedy that possible concern with the ongoing summer 2018 program. After drilling only six wells in the first half of the year, the Gear team has now already doubled that activity with the addition of another 12 wells since the end of the second quarter. Currently Gear has two rigs drilling (one heavy oil rig and one light oil rig) and we are expecting to continue aggressively drilling into the fall. Most of those recent wells are not yet on production, but should be coming on as we progress through the third quarter. The anticipated net result of all this activity can be seen in the following 2018 budget forecast chart which is included in the current corporate presentation.



This forecast shows Gear volumes heading back towards 7,000 boe/d in September and then growing strongly into the fourth quarter with a potential line of sight towards 10,000 boe/d by year-end with the additional Steppe volumes. As a reminder, the current forecast is for approximately 90% of these volumes to be liquids.

The Gear team will continue to work diligently to execute this ambitious 2018 program, and perhaps with successful growth and the continued maintenance of our competitive cost profile we can do something about improving that ranking on the trading multiple chart.

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.