GEAR ENERGY

Monthly Update

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FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

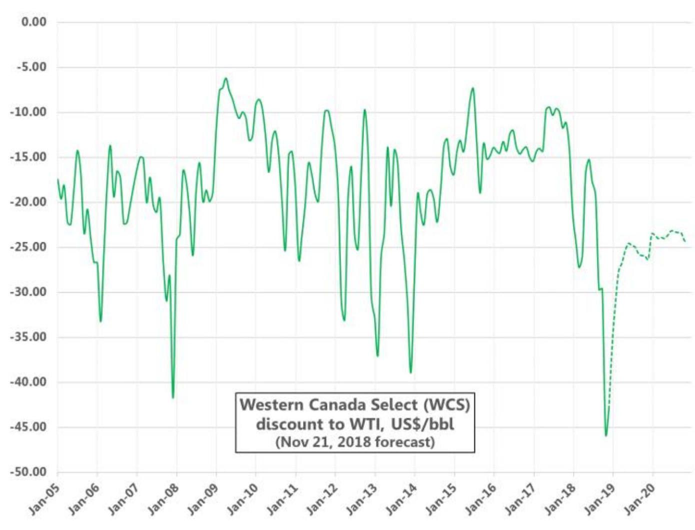
We regularly include the following data populated with estimated monthly results:

Capital * ($k CAD)	2017	Q1 18	Q2 18	18-Aug	18-Sep	Q3 18	18-Oct	2018 YTD
Drill & Complete	**33,766**	3,624	3,451	6,141	4,978	14,936	3,546	**25,557**
Facilities	**14,223**	3,742	2,742	2,295	-337	3,490	2,467	**12,441**
Land & Seismic	**2,280**	2,766	282	13	19	39	10	**3,097**
A&D	**1,710**	390	10	-556	66,027	65,471	48	**65,919**
Other	**-2,505**	-889	-90	-14	300	285	-2	**-696**
TOTAL	**49,474**	**9,633**	**6,395**	**7,879**	**70,987**	**84,220**	**6,069**	**106,317**

Production (boe/d) *	2017	Q1 18	Q2 18	18-Aug	18-Sep	Q3 18	18-Oct	2018 YTD
Sales	**6,511**	**6,522**	**7,025**	**6,510**	**6,987**	**6,747**	**7,819**	**6,873**
Field	6,648	6,810	6,532	6,526	7,082	6,729	7,536	6,776

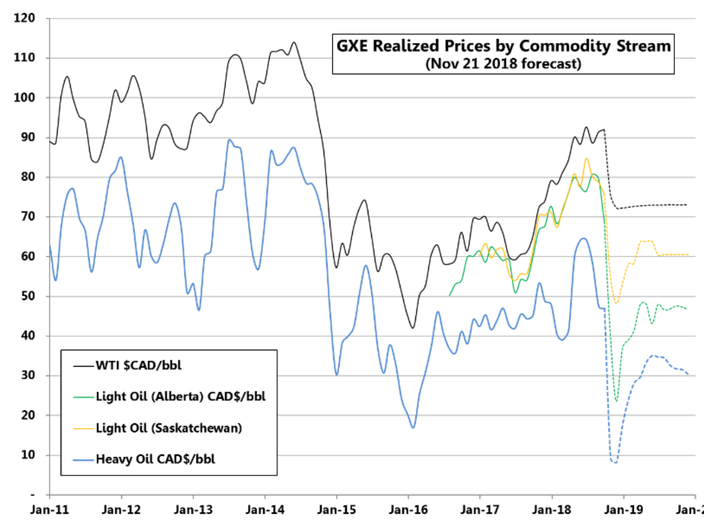
** Estimates based on field data, actuals will vary from estimates due to accruals and adjustments. Such variances may be material.*

The energy news lately is dominated by headlines trying to comprehend the causes and potential solutions to the record wide discounts being applied to Canadian heavy oil during the fourth quarter of 2018. WCS (Western Canada Select) heavy oil prices have settled trading at an approximate US$40/bbl discount to WTI in the fourth quarter, compared to about half that amount in the third quarter. The reasons why this has occurred, and what might remedy the situation were the focal points of last month's update. For this update, the plan is to direct investors attention on a few reasons to remain optimistic despite the recent pessimistic headlines.



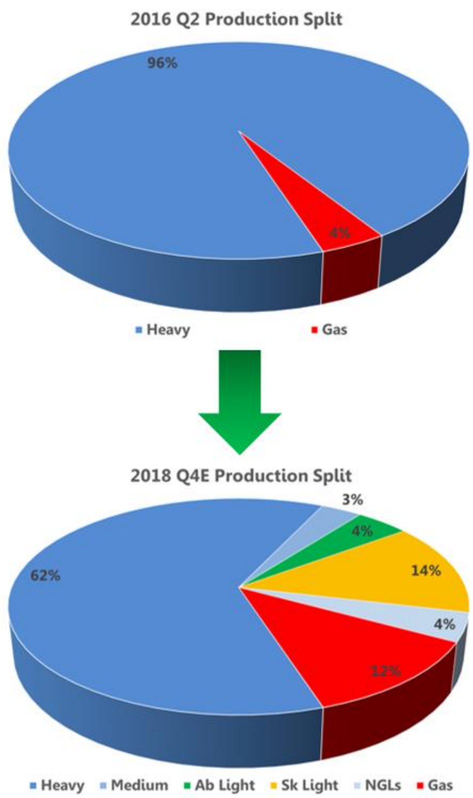
The first chart of note shows the WCS discount since the inception of the benchmark in 2005. The November 2018 discount of minus US$45.66/bbl is unfortunately the largest ever seen. However, from a simple statistical perspective, past performance has repeatedly implied that previous blowouts in the WCS discount have been short-lived in nature.

If one were to look at the five largest previous expansions of the discount, the data shows that on average the differential recovered by over 50% within three short months. That history compares to the current forward curve that predicts a recovery of only 32% from the November 2018 low. If history were to repeat itself, the WCS differential in February would be approximately US$22/bbl, compared to the current forecast of approximately US$31/bbl. Not particularly technical, but another example of the motto, "the best cure for low prices, is low prices".



The second chart shows the impacts of the oil differentials across Gear's three main commodity streams. While both heavy oil and Alberta light oil prices have been significantly impacted by the widened differentials, pricing for the recently acquired oil production from southeast Saskatchewan has remained relatively stronger. This provides Gear with some cash flow stability that was not available back in 2016 when production was 96% heavy oil and the realized prices for heavy oil hit company record lows.

As outlined in Gear's third quarter guidance update, the company plans to maximize future revenue through a combination of capital deferral, heavy oil storage, and temporary light and heavy oil production slow-downs/shut-ins. As per the previous chart, the one area that will remain an exception from these actions is southeast Saskatchewan. Gear will continue to focus efforts to maintain and optimize this valuable revenue stream. In addition, this will be the area most likely to be the recipient of the first drilling capital of the yet to be finalized 2019 drilling program.



Commodity and geographic diversity are valuable tools that the Gear team will continue to engage to assist in overcoming current pricing challenges in Canada.

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.