Monthly Update

March 20, 2019
Vol. 6 Issue 3

FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

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

Capital *

($k CAD)	Q1 18	Q2 18	Q3 18	18-Dec	Q4 18	**2018**	19-Jan	19-Feb	Q1 19
Drill & Complete	3,624	3,451	14,936	831	5,596	**27,607**	623	3,912	4,535
Facilities	3,742	2,742	3,490	845	5,137	**15,110**	608	640	1,247
Land & Seismic	2,766	282	39	4	34	**3,121**	104	54	158
A & D	390	10	65,471	111	301	**66,172**	-3	25	21
Other	-889	-90	285	-1,405	-1,285	**-1,979**	28	99	128
TOTAL	**9,633**	**6,395**	**84,220**	**386**	**9,783**	**110,032**	**1,360**	**4,729**	**6,089**

Production (boe/d) *

Sales	**6,522**	**7,025**	**6,747**	**5,990**	**6,847**	**6,786**	**6,926**	**6,983**	**6,953**
Field	6,810	6,532	6,729	6,805	7,030	6,776	6,547	6,664	6,603

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

Canadian heavy oil differentials continue to trade strongly through the first half of 2019. This is both a blessing and a curse. The upside is that Gear is receiving excellent pricing so far for its 2019 production. The downside is that it remains somewhat difficult to get our oil to market.

February through April heavy oil differentials for Western Canada Select (WCS) have been averaging approximately US$10. Those same WCS barrels are trading at a premium to WTI in the Gulf of Mexico, recently in the range of an incremental US$2 per barrel. The average cost to rail heavy oil from Canada to the Gulf of Mexico is estimated to be in the US$15 to $18 per barrel range. So that means that the WCS differential probably needs to trade out to US$12 to 16 or more per barrel to incentivize any aggressive efforts to increase crude by rail activity. Couple this pricing dynamic with the lack of railing reliability through the winter months, and we find ourselves again trying to work around restricted egress. We have continued to hold back on speeding up or optimizing wells due to the ongoing apportionments. In fact, we have been preferentially reducing some of the oil inventories carried over from 2018 as there are comparatively minimal costs associated with those efforts.

Fortunately for Canada, the global desire for heavy oil remains exceptionally high as the result of demand not balancing supply, which has been impacted by things like Venezuelan issues and Saudi curtailments. This imbalance has led to a higher demand for our heavy oil product and is the specific reason why WCS has been and is forecasted to trade strongly for the first half of 2019. If the supply issues from our global heavy oil competitors continue, one might expect the narrow WCS differentials to also continue.

What this all boils down to, is that Gear has not been able to aggressively sell its oil at full productive capacity yet in 2019, as highlighted in our recent year end reporting. Fundamentally, we feel that the situation will likely improve into the Spring as warmer weather requires less condensate dilution and frees up space in the pipelines and as rail becomes more reliable (seasonally, rail performs more efficiently in the summer compared to the winter). The end result is that we still believe that our current guidance of 7,300 – 7,500 boe per day for the first half of 2019 is achievable. However, the monthly profile of production leading to that average is now expected to be more back weighted than is currently forecast.

One of the bright points of our current capital plan is that these egress issues have not had an impact on productive capacity in southeast Saskatchewan. With the two new 2019 Tableland wells now drilled and coming on production, that will assist in providing productive momentum into the second quarter and helping in the plan to dedicate the majority of Funds from Operations (FFO) in the first half towards reducing outstanding debt.

The current corporate presentation includes the following table which shows oil price sensitivities on estimated FFO and the forecasted net debt position at the exit of H1 2019. The data shown in the table includes draft actuals for January and February production and funds from operations. In addition, the data utilizes current corporate guidance and forward strip differentials and exchange rates to forecast the remaining four months. Current forward strip WTI prices are ranging between the US$55 and 60 per barrel which provide strong estimates of balance sheet strength at the exit of the first half of 2019.

WTI US$/bbl	40	50	60	70
H1 2019 FFO	$21 MM	$27 MM	$35 MM	$44 MM
H1 2019 Net Debt	$82 MM	$77 MM	$68 MM	$59 MM
Net Debt/FFO Ratio	2.0 x	1.4 x	1.0 x	0.7 x

With two months already past us in 2019, we are about a third of the way towards achieving our H1 goals. With continued success in the field and an easing of the egress challenges, we could find ourselves set up for a very exciting 2019.

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.