GEAR ENERGY

Monthly Update

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Vol. 6 Issue 2

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-Oct	18-Nov	18-Dec	Q4 18	**2018**	19-Jan
Drill & Complete	3,624	3,451	14,936	3,546	1,219	831	5,596	**27,607**	623
Facilities	3,742	2,742	3,490	2,467	1,825	845	5,137	**15,110**	608
Land & Seismic	2,766	282	39	10	20	4	34	**3,121**	104
A & D	390	10	65,471	48	142	111	301	**66,172**	-3
Other	-889	-90	285	-2	123	-1,405	-1,285	**-1,979**	28
TOTAL	**9,633**	**6,395**	**84,220**	**6,069**	**3,329**	**386**	**9,783**	**110,032**	**1,360**

Production (boe/d) *	Q1 18	Q2 18	Q3 18	18-Oct	18-Nov	18-Dec	Q4 18	2018	19-Jan
Sales	**6,522**	**7,025**	**6,747**	**7,819**	**6,729**	**5,990**	**6,847**	**6,786**	**6,926**
Field	6,810	6,532	6,729	7,536	6,739	6,805	7,030	6,776	6,547

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

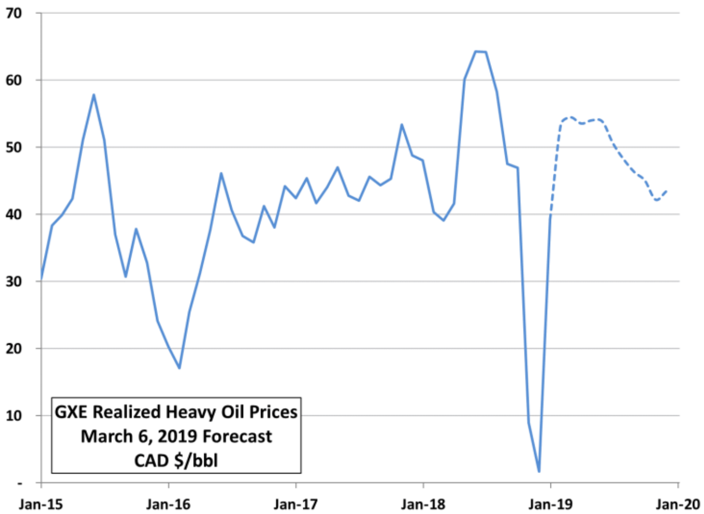
"*The incremental value that will be realized by delaying fourth quarter production into 2019 should ultimately be measured in the millions of dollars*"

This is the exact text from our recent press release for the fourth quarter and year end of 2018.

The math to back up that statement is simple if we just focus on the actual production that was shut-in or stored during the fourth quarter, as opposed to the potential production associated with deferred capital expenditures.

The volumes shut in or stored in the fourth quarter were approximately 1,200 boe per day, or 110,000 barrels of heavy and light oil that will now be sold through the first half of 2019. As you can see from the monthly data table, about 1,000 barrels per day of that deferred production is already showing up in January.

The second part of the equation is the pricing.



The majority of production deferrals were initiated in November and December. At that time Gear could have chosen to sell its heavy oil at record low realized prices that averaged only $5.35 per barrel, not enough to even cover operating costs.

Instead, the Gear team is selling that oil throughout the first half of 2019, for actual and forecasted prices that are currently estimated to average $51.45 per barrel. An incremental revenue of approximately $46 per barrel, all in Canadian dollars.

Although not shown, the incremental revenue estimates for the deferred light oil production from central Alberta was in the same range of $46 per barrel.

So, when the dust settles, that 110,000 barrels of hard-earned resource is estimated to provide an incremental revenue of approximately $5,000,000, just by delaying the sales a few short months. For perspective, the current capital budget for Gear for the first half of 2019 is only $10,000,000.

As much as the Gear team continue to enjoy managing through these periods of extreme volatility, we do look forward to a time when Canadian infrastructure is right-sized to the demands, and pricing swings like this become a thing of the past. Until then, the team will continue to make the quick and sometimes difficult decisions required to maximize realized revenue for every barrel.

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.