

Extractive Sector Transparency Measures Act - Annual Report

Reporting Entity Name	Gear Energy Ltd.					
Reporting Year	From	1/1/2018	To:	12/31/2018	Date submitted	5/27/2019
Reporting Entity ESTMA Identification Number	E549730	<input checked="" type="radio"/> Original Submission <input type="radio"/> Amended Report				

Other Subsidiaries Included
(optional field)

Not Consolidated

Not Substituted

Attestation by Reporting Entity

In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Full Name of Director or Officer of Reporting Entity	David Hwang	Date	5/23/2019
Position Title	VP Finance, CFO		

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Reporting Entity Name	Gear Energy Ltd.		Currency of the Report CAD
Reporting Entity ESTMA Identification Number	E549730		
Subsidiary Reporting Entities (if necessary)			

Payments by Project

Country	Project Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes
Canada	Heavy Oil	2,327,000	5,346,000	995,000				109,000	8,777,000	Royalties include payments made in-kind which are valued at the fair market value of the volumes taken in-kind, based on Gear's realized price.
Canada	Alberta West	521,000	1,066,000	256,000		2,587,000		1,000	4,431,000	Royalties include payments made in-kind which are valued at the fair market value of the volumes taken in-kind, based on Gear's realized price.
Canada	Southeast Saskatchewan	1,000	147,000						148,000	Royalties include payments made in-kind which are valued at the fair market value of the volumes taken in-kind, based on Gear's realized price.

Additional Notes:

Financial Reporting Framework

a) Basis of accounting:
 The Schedule of Payments by Payee and the Schedule of Payments by Project (collectively, the "Schedules") prepared by Gear Energy Ltd. (the "Company") for the year ended December 31, 2017 have been prepared in accordance with the financial reporting provisions in Section 9 of the Extractive Sector Transparency Measures Act, Section 2.3 of the Extractive Sector Transparency Measures Act – Technical Reporting Specifications and Sections 3.1 to 3.6 of the Extractive Sector Transparency Measures Act – Guidance (collectively the "financial reporting framework"). The Schedules are prepared to provide information to the Directors of Gear Energy Ltd. and the Minister of Natural Resources Canada to assist in meeting the requirements of the Extractive Sector Transparency Measures Act. As a result, the Schedules may not be suitable for another purpose.

b) Significant accounting policies:

i) Cash basis
 The Schedules have been prepared using the cash basis of accounting, as required by the financial reporting framework, and therefore exclude any accruals related to payments due to governments. The Schedules include all cash payments made, without inclusion of cash inflows from a government. Where the Company makes a payment to a government that is net of credits from that government, the net payment amount has been presented.

ii) Projects
 The Company has aligned its projects with its cash generating units as determined for financial statement reporting purposes under International Financial Reporting Standards ("IFRS").

iii) Operator
 The Company has reported all payments made by it, on its own behalf and in its role as operator, directly to the government on a 'gross' basis. Amounts paid by third party operators on the Company's behalf have not been included in the Schedules as they are reported in the third party operators' ESTMA filings.

iv) Take in kind payments
 In-kind payments are converted to an equivalent cash value based on the fair market value of the volumes taken in-kind, based on Gear's realized sales price. The Company has valued all in-kind payments included in the Schedules using calculations that are consistent with those made for financial reporting purposes under IFRS.