FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Cdn$ thousands, except per share, share and per boe amounts)	Three months ended **Mar 31, 2019**	Mar 31, 2018	Dec 31, 2018
FINANCIAL			
Funds from operations (1)	**15,032**	8,078	2,089
Per weighted average basic share	**0.07**	0.04	0.01
Cash flows from operating activities	**5,981**	14,787	1,538
Net (loss) income	**(6,812)**	(4,294)	10,553
Per weighted average basic share	**(0.03)**	(0.02)	0.05
Capital expenditures	**9,252**	9,243	9,482
Decommissioning liabilities settled	**399**	889	1,401
Net (dispositions) acquisitions (2)	**(1,038)**	390	302
Net debt (1) (3)	**85,740**	45,330	91,908
Weighted average shares, basic (thousands)	**219,016**	194,968	219,013
Shares outstanding, end of period (thousands)	**219,044**	194,968	219,015
OPERATING			
Production			
Heavy oil (bbl/d)	**4,148**	4,231	4,064
Light and medium oil (bbl/d)	**1,863**	1,197	1,834
Natural gas liquids (bbl/d)	**235**	223	267
Natural gas (mcf/d)	**3,787**	5,229	4,091
Total (boe/d)	**6,877**	6,522	6,847
Average prices			
Heavy oil ($/bbl)	**52.89**	42.97	22.45
Light and medium oil ($/bbl)	**63.64**	64.53	46.68
Natural gas liquids ($/bbl)	**26.40**	39.74	23.95
Natural gas ($/mcf)	**2.40**	1.66	1.45
Netback ($/boe)			
Commodity and other sales	**51.44**	42.42	27.64
Royalties	**(4.33)**	(4.95)	(3.44)
Operating costs	**(18.73)**	(15.83)	(17.13)
Operating netback (1)	**28.38**	21.64	7.07
Realized risk management loss	**(0.16)**	(4.15)	(0.90)
General and administrative	**(2.04)**	(2.83)	(1.18)
Interest	**(1.88)**	(0.92)	(1.50)
Transaction costs	**(0.01)**	-	(0.19)
Other	**-**	0.02	0.02
Corporate netback (1)	**24.29**	13.76	3.32
TRADING STATISTICS			
($ based on intra-day trading)			
High	**0.73**	1.01	1.23
Low	**0.54**	0.66	0.44
Close	**0.61**	0.70	0.57
Average daily volume (thousands)	**283**	458	558

(1) Funds from operations, net debt, operating netback and corporate netback are non-GAAP measures and are reconciled to the nearest GAAP measures under the heading "*Non-GAAP Measures*" in Gear's MD&A.

(2) Net (dispositions) acquisitions exclude non-cash items for decommissioning liability and deferred taxes and is net of post-closing adjustments.

(3) Net debt includes the risk management liability acquired through the Steppe Resources Inc. corporate acquisition. March 31, 2019 - $2.9 million, March 31, 2018 – nil, December 31, 2018 - $4.5 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") is Gear Energy Ltd. ("Gear" or the "Company") management's analysis of its financial performance. It is dated May 8, 2019 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements as at and for the three months ended March 31, 2019 and the audited Consolidated Financial Statements as at and for the year ended December 31, 2018. Both statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The MD&A contains non-generally accepted accounting principles ("GAAP") measures and forward-looking statements and readers are cautioned that the MD&A should be read in conjunction with Gear's disclosure under "Non-GAAP Measures" and "Forward-Looking Statements" included at the end of this MD&A. All figures are in Canadian dollar thousands unless otherwise noted.

ABOUT GEAR ENERGY LTD.

Gear is a Canadian exploration and production company with heavy and light oil production in Central Alberta, West Central Saskatchewan and Southeast Saskatchewan. Presently, Gear has 38 employees with 27 staff in the Calgary office and 11 employees located in Gear's operating areas in Alberta and Saskatchewan. Gear also has a number of contract operators in the field. The Company trades on the Toronto Stock Exchange under the symbol GXE.

Gear is return-driven with a focus on delivering per share growth by pursuing assets with the following characteristics:

- Geographically focused
- Definable resource base with low risk production
- Repeatable projects that are statistically economic
- Multiple producing horizons
- Easy surface access and existing infrastructure
- High operatorship

Gear enhances returns of acquired assets by:

- Drilling and developing on acquired lands
- Focusing on operational and cost efficiencies
- Continually improving operations through innovation and imitation
- Adopting and refining advanced drilling and completing techniques
- Pursuing strategic acquisitions with significant potential synergies

2019 GUIDANCE

The Board of Directors have approved a 2019 full year capital budget whereupon Gear intends to reduce outstanding net debt by approximately 25 per cent through the first half of 2019. The plan after that will be to spend within funds from operations for the second half of the year. With current strip pricing the result is a planned capital and abandonment program of $42.5 million for the year. Gear will target a relatively flat production profile through the rest of the year and a total annual forecasted reduction in net debt of approximately $30 million. The associated 2019 forecast for net debt to funds from operations is approximately 1.0 times.

Gear will closely monitor pricing, egress, and political indicators throughout the year and will consider adjusting capital as appropriate.

Inclusive of activity to date, the budget expenditures are anticipated to be as follows:

- Tableland light oil: drill 5 wells utilizing approximately 38 per cent of the capital program
- Heavy oil multi-laterals: drill 11 wells, approximately 31 per cent of the capital program
- Central Alberta light oil: drill 2 wells, approximately 11 per cent of capital
- Abandonments: approximately 7 per cent of capital
- Recompletions, land, seismic, waterfloods and other: approximately 13 per cent of capital

Capital is forecast to be invested through the year in a more balanced manner than has been historically employed. Approximately 20 per cent of the capital was deployed in the first quarter, with an estimated 5 per cent in the second quarter, 45 per cent in the third quarter and 30 per cent in the fourth quarter. As a result of this allocation, production should remain relatively stable in the range of 7,000 boe per day over the year. However, as a result of the increased focus on light oil drilling in 2019, the forecasted 90 per cent annual liquids will shift from 27 per cent light and medium oil in 2018 to 38 per cent light and medium oil in 2019. In addition to the increased light oil weighting is a slightly higher per unit estimate for 2019 operating costs, primarily as a result of increased well servicing associated with shut-in wells and third-party related downtime on light oil wells.

In aggregate this plan is expected to deliver a combination of stable production per debt adjusted share relative to 2018, an estimated 30 per cent reduction in outstanding net debt, and an approximate doubling of forecasted funds from operations per debt adjusted share relative to 2018. (Assuming US$61.50 WTI, 0.75 FX, and US$15 WCS differential).

Table 1 summarizes Gear's 2019 guidance and first quarter 2019 actual results.

Table 1

	2019 Guidance	Q1 2019 YTD Actuals
Average production (boe/d)	**6,800 – 7,100**	6,877
Heavy oil weighting (%)	**56**	60
Light/medium oil and NGLs weighting (%)	**34**	31
Royalty rate (%)	**11**	8.4
Operating and transportation costs ($/boe)	**18.00**	18.73
General and administrative expense ($/boe)	**2.00**	2.04
Interest expense ($/boe)	**1.50**	1.88
Capital and abandonment expenditures ($ millions)	**42.5**	9.7

METRICS
Gear measures its performance on its ability to grow value on a debt adjusted per share basis. Table 2 details funds from operations, and production per debt adjusted share:

Table 2

	Three months ended			
	Mar 31, 2019	Mar 31, 2018	% Change	Dec 31, 2018
Funds from operations per debt adjusted share (1)	**0.041**	0.033	24	0.006
Production, boepd per debt adjusted thousand shares (1)	**0.019**	0.026	(27)	0.020

(1) Funds from operations per debt adjusted share and production boepd per debt adjusted thousand shares are non-GAAP measures and are reconciled to the nearest GAAP measure below under the heading "*Non-GAAP Measures*".

2019 FIRST QUARTER FINANCIAL AND OPERATIONAL RESULTS

Funds from Operations
Funds from operations for the three months ended March 31, 2019 was $15.0 million and $24.29 per boe compared to $8.1 million and $13.76 per boe for the first quarter of 2018. This increase in funds from operations is the result of increased production volumes, higher realized commodity prices, decreased loss on risk management contracts, and decreased royalty and general and administrative costs, offset by increased operating, interest, transaction and other costs.

The following table details the change in funds from operations for 2019 relative to 2018:

Table 3

	Three months ended Mar 31	
	$ thousands	$/boe
Q1 2018 Funds from operations (1)	8,078	13.76
Volume variance	1,353	-
Price variance	5,584	9.02
Cash loss on risk management contracts	2,335	3.99
Royalties	226	0.62
Expenses:		
Operating	(2,298)	(2.90)
General and administrative	399	0.79
Interest	(622)	(0.96)
Transaction costs	(7)	(0.01)
Other	(16)	(0.02)
Q1 2019 Funds from operations (1)	15,032	24.29

(1) Funds from operations is a non-GAAP measure and is reconciled to the nearest GAAP measure below under the heading "*Non-GAAP Measures*".

Net income
Gear generated a net loss of $6.8 million for the three months ended March 31, 2019, compared to a net loss of $4.3 million for the same period in 2018. The changes in net income are due to several factors discussed below.

Production
In the first quarter of 2019, sales production volumes averaged 6,877 boe per day compared to 6,522 boe per day in the same period in 2018. This increase is the result of the addition of approximately 765 bbl per day of sales during the first quarter from the Tableland area which was acquired in the acquisition of Steppe Resources Inc.("the Steppe Acquisition") in the third quarter of 2018, offset by decreased heavy oil and gas production. Throughout the fourth quarter of 2018 Gear responded to the significant decline in commodity prices by building inventory and shutting in production with the intent of selling these volumes when prices recovered. Gear's realized heavy oil price increased from $22.45 per boe in the fourth quarter of 2018 to $52.89 per boe in the first quarter of 2019 and as such, Gear began reactivating heavy oil wells and

partially drawing down inventory throughout the first quarter. However, first quarter production levels continued to be restricted by pipeline apportionments, limited crude-by-rail activity and third-party pipeline failures. Subsequent to quarter end, shut in production has been partially brought back on and it is expected that full productive capacity will be reached during the second quarter.

In the fourth quarter of 2018 Gear completed and equipped a successful Cardium well in Ferrier which averaged 630 boe per day over its first 30 days of production with 80 per cent being liquids. However, due to a third-party pipeline that experienced unplanned downtime the well only contributed 70 boe per day during the first quarter of 2019. It is expected that this well will resume production towards the middle of the second quarter.

Table 4

	Three months ended			
Production	**Mar 31, 2019**	Mar 31, 2018	% Change	Dec 31, 2018
Liquids (bbl/d)				
Heavy oil (bbl/d)	**4,148**	4,231	(2)	4,064
Light and medium oil (bbl/d)	**1,863**	1,197	56	1,834
Natural gas liquids (bbl/d)	**235**	223	5	267
Total liquids (bbl/d)	**6,246**	5,651	11	6,165
Natural gas (mcf/d)	**3,787**	5,229	(28)	4,091
Total production (boe/d) (1)	**6,877**	6,522	5	6,847
% Liquids production	**91**	87	5	90
% Natural gas production	**9**	13	(31)	10

(1) Reported production for a period may include minor adjustments from previous production periods.

Revenue
Sales of crude oil, natural gas and natural gas liquids for the first quarter of 2019 totaled $31.8 million, a 28 per cent increase over the first quarter 2018 sales of $24.9 million. This increase is mainly the result of higher light oil production volumes and higher realized heavy oil prices.

A breakdown of sales by product is outlined in Table 5:

Table 5

Sales by product	Three months ended			
($ thousands)	**Mar 31, 2019**	Mar 31, 2018	% Change	Dec 31, 2018
Oil and natural gas liquids	**31,020**	24,117	29	16,861
Natural gas	**817**	783	4	547
Total revenue	**31,837**	24,900	28	17,408

Commodity Prices
Table 6

	Three months ended			
Average Benchmark Prices	**Mar 31, 2019**	Mar 31, 2018	% Change	Dec 31, 2018
WTI oil (US$/bbl) (1)	**54.90**	62.87	(13)	58.81
WCS heavy oil (Cdn$/bbl) (2)	**56.64**	48.81	16	25.61
Edmonton Par (Cdn$/bbl)	**66.52**	72.14	(8)	42.95
LSB (Cdn$/bbl) (3)	**67.64**	71.67	(6)	58.18
AECO natural gas ($/mcf) (4)	**2.60**	1.97	32	1.57
Cdn$ / US$ exchange rate	**1.33**	1.26	6	1.32
Gear Realized Prices				
Heavy oil ($/bbl)	**52.89**	42.97	23	22.45
Light and medium oil ($/bbl)	**63.64**	64.53	(1)	46.68
Natural gas liquids ($/bbl)	**26.40**	39.74	(34)	23.95
Natural gas ($/mcf)	**2.40**	1.66	45	1.45
Weighted average, before risk management contracts ($/boe)	**51.44**	42.42	21	27.64
Realized risk management loss ($/boe)	**(0.16)**	(4.15)	(96)	(0.90)
Weighted average, after risk management contracts ($/boe)	**51.28**	38.27	34	26.74

(1) WTI represents posting price of West Texas Intermediate oil.
(2) WCS represents the average market price for the benchmark Western Canadian Select heavy oil.
(3) Represents the Light Sour Blend oil index.
(4) Represents the AECO 5a monthly index.

For the first quarter of 2019, US denominated WTI prices decreased by 13 per cent over the same period in 2018, the WCS differential narrowed from US$24.27 per barrel to US$12.29 per barrel and the Edmonton Par differential narrowed from

US$5.82 per barrel to US$4.85 per barrel. Sales associated with the assets acquired through the Steppe Acquisition in the third quarter of 2018 are sold on the LSB oil index, which had a differential of US$4.01 per barrel in the first quarter of 2019. These pricing movements along with the weakening of the Canadian dollar resulted in an increase in Gear's realized pricing from $42.42 per boe to $51.44 per boe.

US denominated WTI prices decreased from US$58.81 per barrel to US$54.90 per barrel from the fourth quarter of 2018 to the first quarter of 2019, the WCS differential narrowed from US$39.43 per barrel to US$12.29 per barrel, the Edmonton Par differential narrowed from US$26.30 per barrel to US$4.85 per barrel and the LSB differential narrowed from US$14.78 per barrel to US$4.01 per barrel. These pricing movements along with the weakening of the Canadian dollar resulted in an increase in Gear's realized pricing from $27.64 per boe to $51.44 per boe.

Royalties

In the first quarter of 2019, royalties as a percentage of commodity sales were 8.4 per cent compared to 11.7 per cent in the same period in 2018. Properties acquired through the Steppe Acquisition in the third quarter of 2018 carry a lower royalty burden than Gear's legacy properties thus resulting a lower corporate average royalty rate in 2019. In addition, Gear sold oil from inventory in the quarter which was produced in a lower pricing environment and carried a lower associated royalty burden.

Table 7

Royalty expense	Three months ended			
($ thousands except per boe and %)	**Mar 31, 2019**	Mar 31, 2018	% Change	Dec 31, 2018
Royalty expense	2,680	2,906	(8)	2,164
Royalty expense as a % of Sales	8.4	11.7	(28)	12.4
Royalty expense per boe	4.33	4.95	(13)	3.44

Operating and Transportation Expenses

Operating costs plus transportation for the first quarter of 2019 were $18.73 per boe, an increase of 18 per cent compared to $15.83 per boe for the same period in 2018. The increase is mainly due to the inclusion of operating costs associated with properties acquired from Steppe in the third quarter of 2018 as well as the increase in well servicing done in the first quarter of 2019. Well servicing costs for the first quarter of 2019 were $1.5 million, an increase of $0.9 million from $0.6 million in the same period in 2018. In response to the material decrease in pricing in the fourth quarter of 2018, Gear shut in production on several wells. Well servicing costs incurred in the first quarter of 2019 were to reactivate and service these wells to bring them back on production.

Table 8 below summarizes the operating and transportation expenses:

Table 8

Operating and Transportation expenses	Three months ended			
($ thousands except per boe)	**Mar 31, 2019**	Mar 31, 2018	% Change	Dec 31, 2018
Operating expense	**10,165**	8,152	25	9,422
Transportation expense	**1,426**	1,141	25	1,368
Operating and transportation expense	**11,591**	9,293	25	10,790
Operating expense per boe	**16.43**	13.89	18	14.96
Transportation expense per boe	**2.30**	1.94	19	2.17
Operating and transportation expense per boe	**18.73**	15.83	18	17.13

Operating Netbacks

Gear's operating netback prior to risk management contracts was $28.38 per boe in the first quarter of 2019 compared to $21.64 per boe in the first quarter of 2018.

The components of operating netbacks are summarized in Table 9:

Table 9

Netbacks	Three months ended			
($ per boe)	**Mar 31, 2019**	Mar 31, 2018	% Change	Dec 31, 2018
Total sales	**51.44**	42.42	21	27.64
Royalties	**(4.33)**	(4.95)	(13)	(3.44)
Operating costs	**(18.73)**	(15.83)	18	(17.13)
Netback	**28.38**	21.64	31	7.07

General and Administrative ("G&A") Expenses, Transaction costs and Share-based compensation ("SBC")

G&A expenses for the three months ended March 31, 2019 totaled $1.3 million, a decrease of $0.4 million compared to $1.7 million for the same period in 2018. The decrease is mainly due to a decrease in personnel costs. G&A on a per boe basis decreased 28 per cent in the first quarter of 2019 compared to the same period in 2018.
Table 10 is a breakdown of G&A and SBC expense:

Table 10

G&A, Transaction costs and SBC expense	Three months ended			
($ thousands except per boe)	**Mar 31, 2019**	Mar 31, 2018	% Change	Dec 31, 2018
G&A, before recoveries and capitalized G&A	**1,691**	1,936	(13)	1,242
Overhead recoveries	**(101)**	(155)	(35)	(164)
Capitalized G&A	**(325)**	(117)	178	(333)
G&A	**1,265**	1,664	(24)	745
Transaction costs	**7**	-	100	119
SBC expense	**218**	291	(25)	230
G&A per boe	**2.04**	2.83	(28)	1.18
Transaction costs per boe	**0.01**	-	100	0.19
SBC expense per boe	**0.35**	0.50	(30)	0.37

SBC is related to the granting of stock options. There were 0.5 million options granted during the first quarter of 2019 at an average price of $0.61. In addition, 0.1 million options expired with an average exercise price of $0.76. As at March 31, 2019 a total of 14.4 million options were outstanding, representing approximately 6.6 per cent of the 219.0 million total common shares outstanding. Each option entitles the holder to acquire one Gear common share. As at December 31, 2018 a total of 14.1 million options were outstanding. For further information on Gear's stock options, see the notes to the Interim Condensed Consolidated Financial Statements.

Interest and financing charges

In the first quarter of 2019, interest and financing charges totaled $1.2 million compared to $0.5 million for the first quarter of 2018. In conjunction with the Steppe Acquisition in the third quarter of 2018, Gear assumed $36.3 million of bank debt, resulting in increased average debt levels year-over-year. Gear's current annualized borrowing costs, inclusive of financing charges and standby fees on its Credit Facilities (as defined below) approximated 4.7 per cent for the first quarter of 2019 compared to 4.0 per cent for the same period of 2018. Gear's interest rate on its Credit Facilities is dependent on its facilities borrowings, inclusive of working capital, in comparison to its earnings before interest, taxes, depletion, depreciation, amortization, and accretion ("Senior Debt to EBITDA Ratio'). The increase in borrowing costs is due to increased interest rates from the Bank of Canada as well as higher margin and standby fee rates due to an increase in Gear's Senior Debt to EBITDA Ratio.

Table 11 is a breakdown of interest expense:

Table 11

Interest and financing charges	Three months ended			
($ thousands except per boe)	**Mar 31, 2019**	Mar 31, 2018	% Change	Dec 31, 2018
Interest expense	**1,096**	501	119	877
Financing charges	**19**	21	(10)	18
Standby fees	**46**	17	171	49
Interest and financing charges	**1,161**	539	115	944
Interest and financing charges per boe	**1.88**	0.92	104	1.50

Risk Management Contracts

Gear uses or plans to use a variety of derivative instruments to reduce its exposure to fluctuations in commodity prices, foreign exchange rates and interest rates. Gear has not designated its risk management contracts as effective hedges, and thus has not applied hedge accounting. Gear endeavors to protect the pricing on a minimum of 50 per cent of forecasted production, net of royalties, and has been authorized by its board of directors to hedge up to 65 per cent of forecasted production, net of royalties, for the current and following calendar year.

Gear has a mandate to protect its balance sheet and its capital program for the current and upcoming year by reducing fluctuations in both its funds from operations and assigned borrowing base on its Credit Facilities. Gear's 2019 and 2020 risk management programs are comprised primarily of collars and swap contracts. Upon the completion of the Steppe Acquisition, Gear acquired several WTI CAD swap contracts. The risk management liability of these contracts was $6.2 million at the acquisition date and $2.9 million at March 31, 2019. Changes in fair value of these acquired risk management contracts from the acquisition date fair value are realized in Gear's Consolidated Statement of Loss and Comprehensive Loss as well as future funds from operations. Gear incurred a realized loss on risk management contracts of $0.1 million in the first quarter of 2019 compared to a $2.4 million loss in the first quarter of 2018. Gear's remaining production was sold at unhedged prices and as such fully realized the appreciation in prices that occurred throughout the quarter.

Gear has fully executed its 2019 risk management program and has commenced its 2020 program. For 2019, Gear has 2,264 barrels of oil per day hedged with an average WTI floor price of C$64.47 per barrel and an average WTI ceiling of C$91.09 per barrel. For the second quarter of 2019, Gear also has 1,500 barrels of oil per day hedged with a WCS to WTI differential of US$19.00 per barrel. For 2020, Gear has 700 barrels of oil per day hedged with an average WTI floor price of C$65.00 per barrel and an average WTI ceiling of C$94.00 per barrel.

Table 12 summarizes Gear's current hedged volumes:

Table 12

Financial WTI Crude Oil Contracts

Term		Contract	Currency	Volume bbl/d	Sold Swap $/bbl	Sold Call $/bbl	Bought Put $/bbl	Sold Put $/bbl
Apr 1, 2019	Dec 31, 2019	Three-way Collar	USD/CAD	600	-	U$66.00	C$62.00	C$52.00
Apr 1, 2019	Dec 31, 2019	Three-way Collar	USD/CAD	600	-	U$72.00	C$65.00	C$55.00
Apr 1, 2019	Dec 31, 2019	Three-way Collar	CAD	1,200	-	100.00	65.00	55.00
Apr 1, 2019	Dec 31, 2019	Collar	CAD	100	-	103.00	65.00	-
Jan 1, 2020	Dec 31, 2020	Collar	CAD	700	-	94.00	65.00	-
Apr 1, 2019	Jul 31, 2019	Swap(1)	CAD	400	61.20	-	-	-
Apr 1, 2019	Jun 30, 2019	Swap(1)	CAD	250	68.90	-	-	-
Jul 1, 2019	Jul 31, 2019	Swap(1)	CAD	200	67.30	-	-	-
Aug 1, 2019	Dec 31, 2019	Swap(1)	CAD	400	67.30	-	-	-

(1) Acquired through the Steppe Acquisition.

Financial WCS Crude Oil Contracts

Term		Contract	Currency	Volume bbl/d	Sold Swap $/bbl	Sold Call $/bbl	Bought Put $/bbl	Sold Put $/bbl
Apr 1, 2019	Jun 30, 2019	Swap	USD	1,500	(19.00)	-	-	-

For further details on Gear's risk management contracts, see the notes to the Interim Condensed Consolidated Financial Statements.

Depletion, Depreciation and Amortization Expense ("DD&A")

DD&A during the first quarter of 2019 was $19.35 per boe compared to $16.22 per boe in the same period in 2018 and $18.98 per boe in the fourth quarter of 2018. These increases in the DD&A rate are due to increases in Gear's finding and development costs.

Table 13 is a breakdown of DD&A expenses:

Table 13

DD&A Rate	Three Months Ended			
($ thousands except per boe)	**Mar 31, 2019**	Mar 31, 2018	% Change	Dec 31, 2018
DD&A	**11,978**	9,523	26	11,959
DD&A rate per boe	**19.35**	16.22	19	18.98

Taxes

In the first quarter of 2019 a deferred tax recovery was not recorded. Gear has evaluated the ultimate utilization of existing tax pools, which supports the $26.5 million deferred income tax asset recognized as at March 31, 2019. The deferred income tax asset is primarily influenced by temporary differences relating to the book basis of Gear's property, plant and equipment relative to its tax basis. As at March 31, 2019 Gear's estimated tax pools were $638.1 million ($633.0 million at December 31, 2018). These income tax pools are deductible at various rates and annual deductions associated with the initial tax pools will decline over time. No cash income taxes were paid in 2019 and 2018.

Capital Expenditures, Acquisitions and Dispositions

Capital expenditures including acquisitions and dispositions totaled $8.2 million for the first quarter of 2019 compared to $9.6 million in the same period of 2018. As a result of recent volatility in commodity prices, Gear's first quarter 2019 capital was focused on successfully developing light oil opportunities in Tableland, Southeast Saskatchewan. This core area has not been impacted by apportionments and price volatility to the same extent that the Company's other assets have been. During the quarter Gear successfully drilled 2 gross (2 net) wells in Tableland. These wells came on production towards the end of the first quarter, averaging a combined total of 412 barrels of oil per day over their first 30 days of production and contributing a total of approximately 55 barrels per day to the first quarter volumes. The wells will continue to recover load fluid and be optimized through the second quarter. Gear also directed capital spending in the quarter to shoot seismic in Wilson Creek and Wildmere and received proceeds of $1.1 million relating non-core land and property dispositions.

A breakdown of capital expenditures and net acquisitions is shown in Table 14:

Table 14

Capital expenditures	Three months ended			
($ thousands)	**Mar 31, 2019**	Mar 31, 2018	% Change	Dec 31, 2018
Drilling and completions	**6,290**	3,623	74	5,656
Production equipment and facilities	**2,277**	2,853	(20)	3,735
Geological and geophysical	**614**	143	329	17
Undeveloped land purchased at crown land sales	**57**	2,624	(98)	17
Other	**14**	-	100	57
Total capital expenditures	**9,252**	9,243	-	9,482
Property acquisitions and dispositions, net (1)	**(1,038)**	390	(366)	302
Total capital expenditures and net acquisitions	**8,214**	9,633	(15)	9,784

(1) Includes post-closing adjustments.

Subsequent to quarter-end Gear has initiated marketing of a potential disposition package of non-core Alberta heavy oil properties comprising approximately 800 boe per day of production. Non-binding transaction proposals are requested by June 11, 2019.

Decommissioning Liability

At March 31, 2019, Gear has recorded a decommissioning liability of $92.0 million ($88.7 million at December 31, 2018) for the future abandonment and reclamation of Gear's properties. The estimated decommissioning liability includes assumptions in respect of actual costs to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors used to calculate the undiscounted total future liability. The future liability has been discounted at the risk free rate of 1.90 per cent (2.18 per cent at December 31, 2018). Abandonment cost estimates are derived from third party government sources and, as a result, can fluctuate from time to time. The increase in liability is the mainly the result of the decrease in the discount factor.

Environmental stewardship is a core value at Gear and abandonment and reclamation investments continue to be made in a prudent and responsible manner with oversight by Gear's Board of Directors. Ongoing abandonment expenditures for all of Gear's assets are funded out of funds from operations with $0.4 million of decommissioning liabilities settled in the first quarter of 2019 (2018 - $0.9 million). As at the date of this MD&A Gear's Licensee Liability Rating ("LLR") in Alberta was 1.77 times, 4.93 times in Saskatchewan and 2.26 times, corporately.

Capitalization, Financial Resources and Liquidity

A breakdown of Gear's capital structure is outlined in Table 15, as at March 31, 2019 and December 31, 2018:

Table 15

Debt		
($ thousands except ratio amounts)	**Mar 31, 2019**	Dec 31, 2018
Net debt (1)	**85,740**	91,908
Net debt to quarterly annualized funds from operations	**1.4**	11.1
Net debt to trailing 12- month funds from operations	**2.0**	2.6
Common shares outstanding	**219,044**	219,015

(1) Net debt is a non-GAAP measure and is reconciled to the nearest GAAP measure below under the heading "Non-GAAP Measures".

Net debt decreased 7 per cent from $91.9 million at December 31, 2018 to $85.7 million at March 31, 2019 as funds from operations exceeded spending on capital and abandonments in the quarter. Based on forward pricing as at the date of this MD&A, Gear expects to further reduce net debt in the second quarter by approximately $18 million and to spend approximately within cash flow for the second half of the year.

Credit Facilities

At March 31, 2019 Gear had a total of $115.0 million in credit facilities consisting of a $95.0 million revolving term credit facility with a syndicate of three banks (the "Syndicate") and a $20.0 million operating facility (collectively, the "Credit Facilities").

The total stamping fees range, depending on Gear's Debt to EBITDA ratio, between 50 bps to 300 bps on Canadian bank prime borrowings and between 150 bps and 400 bps on Canadian dollar bankers' acceptances. The undrawn portion of the Credit Facilities is subject to a standby fee in the range of 34 bps to 90 bps. The maturity date of the Credit Facilities is May 29, 2020. As at March 31, 2019 Gear had $79.9 million drawn on the Credit Facilities (December 31, 2018 – $78.5 million) and an outstanding letter of credit of $0.2 million (December 31, 2018 – $0.2 million), leaving additional borrowing capacity of $34.9 million. Gear is currently undergoing its semi-annual borrowing base review which is expected to be completed on or about May 31, 2019.

Convertible Debentures
On November 30, 2015 Gear completed a bought deal financing and private placement to issue 14.7 million common shares at $0.75 per share and $14.8 million of convertible unsecured subordinated debentures (the "Convertible Debentures") for total gross proceeds of $26 million.

The Convertible Debentures issued on November 30, 2015 have a maturity date of November 30, 2020 and carry a coupon of 4 per cent per annum, payable semi-annually in arrears on May 31 and November 30 until maturity. The Convertible Debentures are convertible at the option of the holder at any time prior to the maturity date at a conversion price of $0.87 per common share such that for every $1,000 principal amount of Convertible Debentures a holder will receive approximately 1,149.43 common shares. Holders converting their Convertible Debentures will be entitled to receive accrued and unpaid interest thereon for the period from the date of the latest interest payment date to, but excluding, the date of conversion.

The Convertible Debentures are redeemable prior to December 31, 2019 by Gear if the 20-day volume weighted average trading price of Gear's common shares at such time is at least 125 per cent of the conversion price ($1.09 per share) at a redemption price equal to the principal amount plus accrued and unpaid interest up to the date of redemption. On or after December 31, 2019, the Convertible Debentures may be redeemed by Gear at a redemption price equal to the principal amount plus accrued and unpaid interest up to the date of redemption.

As at March 31, 2019 and the date of this MD&A $13.3 million of Convertible Debentures were outstanding. An aggregate of up to 15.3 million additional Gear common shares may be issued on conversion of the Convertible Debentures that remain outstanding at the date hereof. As at December 31, 2018 $13.3 million Convertible Debentures were outstanding.

At the maturity date or redemption date, as applicable, of the Convertible Debentures, Gear will have the option to satisfy its obligation to repay the principal amount by the issuance of Gear common shares. The number of such common shares will be based on 95 per cent of the weighted average trading price of the common shares prior to the date fixed for maturity or redemption. As the number of common shares to be issued on redemption or maturity is based on a price to be determined at a later date, the maximum number of Gear common shares that may be issued under this scenario is not determinable at the present time.

For additional information regarding the Convertible Debentures see Note 6 "Convertible Debentures" in the notes to the Interim Condensed Consolidated Financial Statements.

Gear typically uses two markets to raise capital: equity and bank debt, with the expectation that future capital programs will be financed with funds from operations and existing credit capacity. Gear's current capital program is expected to be financed primarily through funds from operations. Gear's borrowing capacity is based on its reserves value as determined by its external reserve evaluator.

If Gear undertakes any major acquisitions, management would expect to finance the transactions with a combination of equity and debt in a cost-effective manner. Gear will continue to be very active looking at acquisitions that meet its investment criteria.

Shareholders' Equity
As at March 31, 2019 and December 31, 2018 Gear had 219.0 million common shares outstanding. At the date of this MD&A Gear had 219.1 million common shares outstanding.

As at March 31, 2019, a total of 14.4 million options were outstanding with a weighted average exercise price of $1.31 per share and each option entitled the holder to acquire one Gear common share. Subsequent to March 31, 2019, 0.5 million options were exercised, leaving a balance of 13.9 million options outstanding as at the date of this MD&A.

As at March 31, 2019 and as at the date hereof, there are 0.3 million warrants outstanding to acquire 0.6 million common shares of Gear at a price of $1.03 per share that will expire on July 8, 2019. These amounts are unchanged from December 31, 2018.

Environmental Initiatives Impacting Gear
Gear operates in jurisdictions that have regulated or have proposed to regulate greenhouse gas emissions and other air pollutants. While some regulations are in effect, others are at various stages of review, discussion and implementation. There is uncertainty around how any future federal legislation will harmonize with provincial regulation, as well as the timing and effects of regulations. Climate change regulation at both the federal and provincial level has the potential to significantly affect the regulatory environment of the crude oil and natural gas industry in Canada. Such climate change and other environmental regulations impose certain costs and risks on the industry, and there remains some uncertainty regarding the impacts of federal or provincial climate change and environmental laws and regulations, as Gear is unable to predict additional legislation or amendments that governments may enact in the future. Any new laws and regulations, or additional requirement to existing laws and regulations, could have a material impact on the Company's operations and cash flows.

The provincial regulation of environmental liabilities and associated decommissioning liabilities in the oil and gas industry may face substantial changes in the near future. In 2016, the Alberta Court of Queen's Bench issued its decision in *Redwater Energy Corporation (Re)*, finding receivers and trustees of insolvent entities have the right to renounce assets within insolvency proceedings. The Alberta Court of Appeal affirmed this decision. In response, several provincial regulators, most notably the AER, implemented a number of interim rule changes to the regulatory scheme pertaining to the decommissioning, licensing and liability management programs. On January 31, 2019, however, the Supreme Court of Canada released its Redwater decision, overturning the decision of the Alberta Court of Queen's bench and the Alberta Court of Appeal to hold that receivers and trustees can no longer avoid the AER's legislative authority to impose abandonment orders against licensees or to require a licensee to pay a security deposit before approving a transfer when such a licensee is subject to formal insolvency proceedings. As a result, any financial resources of a bankrupt licensee will first be used to satisfy outstanding abandonment obligations in respect of its unproductive assets. Remaining amounts, if any, will then satisfy the claims of secured creditors.

There remains a great deal of uncertainty as to what regulatory measures will be developed by the provinces or in concert with the federal government. In addition, as indicated above, the Redwater Decision has had, and is expected to continue to have, a negative impact on the amounts of credit that lenders will be willing to lend to oil and gas companies.

Contractual Obligations and Commitments
Gear has contractual obligations in the normal course of operations including purchase of assets and services, operating agreements, transportation commitments, sales commitments, royalty obligations, lease rental obligations and employee agreements. These obligations are of a recurring, consistent nature and impact Gear's funds from operations in an ongoing manner. Gear also has contractual obligations and commitments that are of a less routine nature as disclosed in its financial statements.

Gear enters into commitments for capital and decommissioning expenditures in advance of the expenditures being made. At a given point in time, it is estimated that Gear has committed to capital expenditures equal to approximately one quarter of its capital budget by means of giving the necessary authorizations to incur the expenditures in a future period.

As at March 31, 2019, Gear had the following contractual commitments:

- lease agreements for its head office and its two field offices; and
- one drilling rig commitment.

Lease agreements for Gear's head and field offices are effective until December 31, 2020. The total commitment for these lease agreements is $0.4 million. The drilling rig commitment expires December 31, 2020 with a total commitment of $2.9 million. For further information see Note 13 "Commitments and Contingencies" in the notes to the Interim Condensed Consolidated Financial Statements.

Gear is involved in litigation and claims arising in the normal course of operations. Management is of the opinion that pending litigation will not have a material impact on Gear's financial position or results of operations.

Off Balance Sheet Arrangements
Gear has certain lease agreements that were entered into in the normal course of operations, of which significant agreements are discussed in the Contractual Obligations and Commitments section above and disclosed in the notes to the Interim Condensed Consolidated Financial Statements for the quarter ended March 31, 2019. These leases have been treated as operating leases whereby the lease payments are included in operating expenses or G&A expenses depending on the nature of the lease. No asset or liability value has been assigned to these leases on the consolidated balance sheet as of March 31, 2019.

Related Party Transactions
Other than the payment of compensation to key management personnel, the Corporation has not entered into any related party transactions.

Non-GAAP Measures
Management uses certain key performance indicators and industry benchmarks such as funds from operations, funds from operations per debt adjusted share, production per day per debt adjusted thousand shares, operating netbacks, corporate netbacks and net debt to analyze financial and operating performance. Management believes that these key indicators and benchmarks are key performance measures for Gear and provide investors with information that is commonly used by other oil and gas companies. These key performance indicators and benchmarks as presented do not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other entities.

Funds from Operations
Funds from operations is a non-GAAP measure defined as cash flows from operating activities before changes in non-cash operating working capital and decommissioning liabilities settled. Gear evaluates its financial performance primarily on funds from operations and considers it a key measure as it demonstrates its ability to generate the funds from operations necessary to fund its capital program and repay debt. Funds from operations may not be comparable with the calculation of similar measures for other companies.

Table 16 below reconciles cash flows from operating activities to funds from operations:

Table 16

	Three months ended		
($ thousands)	**Mar 31, 2019**	Mar 31, 2018	Dec 31, 2018
Cash flows from operating activities	**5,981**	14,787	1,538
Decommissioning liabilities settled	**399**	889	1,401
Change in non-cash working capital	**8,652**	(7,598)	(850)
Funds from operations	**15,032**	8,078	2,089

Net Debt

Net debt is a non-GAAP measure defined as debt less current working capital items, excluding risk management contracts and the current portion of decommissioning liabilities. Gear uses net debt as a key indicator of its leverage and strength of its balance sheet. Net debt is directly tied to Gear's funds from operations and capital investment. Net debt may not be comparable with the calculation of similar measures for other companies.

Table 17

Capital Structure and Liquidity		
($ thousands)	**Mar 31, 2019**	Dec 31, 2018
Debt	**79,851**	78,461
Convertible Debentures (at face value) (1)	**13,290**	13,315
Working capital surplus (2)	**(10,348)**	(4,340)
Risk management contracts (3)	**2,947**	4,472
Net debt	**85,740**	91,908

(1) Excludes unamortized portion of issuance costs.
(2) Excludes risk management contracts and current portion of decommissioning liabilities.
(3) Risk management contracts assumed in the Steppe Acquisition.

At March 31, 2019, Gear had a working capital surplus. When in a deficit position, the Company is able to meet obligations as they come due by drawing on the Credit Facilities. Gear actively manages its liquidity through strategies such as continuously monitoring forecasted and actual cash flows from operating, financing and investing activities, available credit under existing banking arrangements and opportunities to issue additional equity. Management believes that future cash flows generated from these sources will be adequate to settle Gear's financial liabilities.

Debt adjusted shares

Debt adjusted shares are calculated by the weighted average shares plus the share equivalent on Gear's average net debt over the period, assuming that the debt were to be extinguished with a share issuance based on the weighted average share price in the period.

Table 18 below reconciles the debt adjusted shares:

Table 18

	Three months ended		
(thousands, except per share amounts)	**Mar 31, 2019**	Mar 31, 2018	Dec 31, 2018
Weighted average basic shares	**219,016**	194,968	219,013
Average share price	**0.61**	0.86	0.73
Average net debt (1)	**88,824**	44,300	87,821
Share equivalent on average net debt	**145,613**	51,512	120,303
Debt adjusted shares	**364,629**	246,480	339,316

(1) Average net debt obtained by a simple average between opening and ending net debt for the three months ended.

Operating and Corporate Netbacks

Operating netbacks are calculated based on the amount of revenues received on a per unit of production basis after royalties and operating costs. Corporate netbacks are presented after taking into account the effects of risk management contracts and are calculated based on the amount of revenues received on a per unit of production basis after royalties, operating costs, general and administrative expenses, interest, transaction and other costs.

Critical Accounting Estimates

Gear's financial and operating results incorporate certain estimates including:

- Estimated revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and costs have not yet been determined;
- Estimated capital expenditures on projects that are in progress;
- Estimated DD&A charges that are based on estimates of oil and gas reserves that Gear expects to recover in the future;

- Estimated future recoverable value of property, plant and equipment and any associated impairment charges or recoveries;
- Estimated fair values of derivative contracts that are subject to fluctuation depending upon the underlying commodity prices;
- Estimated decommissioning liabilities that are dependent upon estimates of future costs and timing of expenditures;
- Estimated future utilization of tax pools; and
- Estimated employee stock based compensation costs.

Gear has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates. For further information on the determination of certain estimates inherent in the financial statements refer to Note 5 "Management Judgments and Estimation Uncertainty" in the audited consolidated financial statements for the year ended December 31, 2018.

Disclosure Controls and Procedures
Gear's Chief Executive Officer and Chief Financial Officer are responsible for the establishment of disclosure controls and procedures ("DC&P"). DC&P, as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, are designed to provide reasonable assurance that information required to be disclosed in the Company's annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Controls over Financial Reporting
Gear's Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting ("ICFR") for Gear. They have, as at March 31, 2019, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework Gear's officers used to design the Company's ICFR is the Internal Control - Integrated Framework ("COSO Framework") published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

There were no changes in Gear's ICFR during the three months ended March 31, 2019 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Newly Adopted Accounting Policy
IFRS 16 *Leases*

As of January 1, 2019, The Company adopted IFRS 16 which replaces sections IAS 17 "*Leases*", IFRIC 4 "*Determining whether an arrangement contains a lease*", SIC-15 *"Operating leases - incentives*" and SIC-27 "*Evaluating the substance of transactions involving the legal form of a lease*". IFRS 16 introduces a single lease accounting model for lessees which requires the recognition of a right of use asset and a lease liability on the Consolidated Balance Sheet for contracts that are, or contain, a lease. The Company adopted IFRS 16 using the modified retrospective approach. Under this method of adoption, the right of use assets recognized were measured at amounts equal to the present value of the lease obligations. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effective of IFRS 16 as an adjustment to opening retained earnings and applies the standard prospectively. Gear elected to not apply lease accounting to certain leases for which the lease term ends within 12 months or is low value as of the date of adoption.

The Company did a complete evaluation of the contracts it has entered, and it was determined there is no material impact as a result of adopting IFRS 16 and as such no adjustment or additional disclosures have been made. The Company has included an accounting policy for leases as follows:

Leases
Leases or contractual obligations are capitalized as right of use assets with a corresponding right of use lease obligation using the present value of future lease payments in the Consolidated Balance Sheet. The discount rate used to determine the right of use asset is disclosed in the lease contract or the company's incremental borrowing rate, if none is provided. Certain lease payments will continue to be expensed in the Consolidated Statements of Loss and Comprehensive Loss. These leases are contractual obligations that contain any of the following: are equal to or less than twelve months; are for oil and gas extraction; are variable payments; the Company does not control the asset; or no asset is identified in the lease.

Forward-looking Information and Statements
This report contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information

or statements. In particular, but without limiting the foregoing, this report contains forward-looking information and statements pertaining to the following: expectations of how Gear may enhance returns of acquired assets; the expected percentage of net debt reduction in the first half of 2019; the expectation of spending within funds from operations for the second half of 2019; the expected details of the 2019 capital and abandonment program included the expected budgeted expenditures and the timing thereof; the expectation of maintain a relatively flat production profile through the rest of 2019; the expected amount of net debt reduction in 2019 and the 2019 forecast for net debt to funds from operations; management's intent to closely monitor pricing, egress, and political indicators throughout the year to remain flexible to adjust capital as appropriate; forecast 2019 production and commodity weighting; the expectation that the 2019 budget will result in stable production per debt adjusted share relative to 2018, an estimated 30 per cent reduction in outstanding net debt, and an approximate doubling of forecasted funds from operations per debt adjusted share relative to 2019; expected assumptions for 2019 as to royalties, G&A costs and interest costs; Gear's expectation of the amount of net debt reduction in the second quarter of 2019; the expected renewal of the Credit Facilities; the expectation that any major acquisitions, would be financed with a combination of equity and debt in a cost-effective manner; expectations as to the costs of decommissioning liabilities; the expectation that Gear will continue to be very active looking at acquisitions that meet its investment criteria; and management's belief that future cash flows will be adequate to settle Gear's financial liabilities.

The forward-looking information and statements contained in this report reflect several material factors and expectations and assumptions of Gear including, without limitation: that Gear will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of Gear's reserves and resource volumes; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures. Gear believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

To the extent that any forward-looking information contained herein may be considered future oriented financial information or a financial outlook, such information has been included to provide readers with an understanding of management's assumptions used for budgeting and developing future plans and readers are cautioned that the information may not be appropriate for other purposes. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Gear's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Gear or by third party operators of Gear's properties, increased debt levels or debt service requirements; any action taken by Gear's lenders to reduce the borrowing capacity under the Credit Facilities; inaccurate estimation of Gear's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in Gear's public documents including risk factors set out in Gear's most recent annual information form, which is available on SEDAR at www.sedar.com.

The forward-looking information and statements contained in this report are made as of the date of this report, 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.

Barrels of Oil Equivalent

Disclosure provided herein in respect of BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of six Mcf to one Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

QUARTERLY HISTORICAL REVIEW

	2019	2018				2017		
(Cdn$ thousands, except per share, share, and per boe amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
FINANCIAL								
Sales of crude oil, natural gas and NGLs	31,837	17,408	33,334	33,674	24,900	30,047	24,260	25,929
Funds from operations (1)	15,032	2,089	11,578	13,674	8,078	14,613	9,960	10,248
Per weighted average basic share	0.07	0.01	0.06	0.07	0.04	0.07	0.05	0.05
Per weighted average diluted share	0.07	0.01	0.05	0.07	0.04	0.07	0.05	0.05
Cash flows from operating activities	5,981	1,538	16,831	8,596	14,787	9,964	9,197	5,362
Per weighted average basic share	0.03	0.01	0.08	0.04	0.08	0.05	0.05	0.03
Per weighted average diluted share	0.03	0.01	0.08	0.04	0.08	0.05	0.05	0.03
Net (loss) income	(6,812)	10,553	706	(1,869)	(4,294)	6,947	(2,705)	3,001
Per weighted average basic share	(0.03)	0.05	-	(0.01)	(0.02)	0.04	(0.01)	0.02
Per weighted average diluted share	(0.03)	0.05	-	(0.01)	(0.02)	0.03	(0.01)	0.01
Capital expenditures	9,252	9,482	18,749	6,385	9,243	12,307	10,513	6,161
Decommissioning liabilities settled	399	1,401	318	373	889	1,260	519	676
Net (dispositions) acquisitions (2)	(1,038)	302	65,470	10	390	14	1,635	127
Net debt (1) (3)	85,740	91,908	83,733	38,960	45,330	43,269	44,568	43,409
Weighted average shares outstanding, basic (thousands)	219,016	219,013	198,826	195,045	194,968	194,968	193,158	192,922
Weighted average shares outstanding, diluted (thousands)	219,016	234,794	217,426	195,045	194,968	211,310	193,158	208,971
Shares outstanding, end of period (thousands)	219,044	219,015	218,776	195,213	194,968	194,968	194,968	192,935
OPERATING								
Production								
Heavy oil (bbl/d)	4,148	4,064	4,484	4,774	4,231	4,760	4,054	3,887
Light and medium oil (bbl/d)	1,863	1,834	1,228	1,232	1,197	1,161	1,290	1,412
Natural gas liquids (bbl/d)	235	267	268	219	223	242	279	322
Natural gas (mcf/d)	3,787	4,091	4,609	4,806	5,229	5,566	5,415	5,334
Total (boe/d)	6,877	6,847	6,748	7,025	6,522	7,090	6,525	6,510
Average prices								
Heavy oil ($/bbl)	52.89	22.45	56.79	55.04	42.97	49.18	44.00	44.72
Light and medium oil ($/bbl)	63.64	46.68	76.57	75.67	64.53	64.71	53.12	59.64
Natural gas liquids ($/bbl)	26.40	23.95	35.02	40.51	39.74	27.79	27.28	28.11
Natural gas ($/mcf)	2.40	1.45	0.93	1.08	1.66	1.90	1.52	2.91
Netback ($/boe)								
Commodity and other sales	51.44	27.64	53.70	52.67	42.42	46.06	40.41	43.77
Royalties	(4.33)	(3.44)	(7.33)	(5.06)	(4.95)	(4.15)	(4.50)	(4.96)
Operating costs	(18.73)	(17.13)	(17.69)	(17.16)	(15.83)	(16.03)	(16.57)	(17.78)
Operating netback (1)	28.38	7.07	28.68	30.45	21.64	25.88	19.34	21.03
Realized risk management (loss) gain	(0.16)	(0.90)	(6.55)	(5.55)	(4.15)	(0.73)	0.11	(0.77)
General and administrative	(2.04)	(1.18)	(1.81)	(2.55)	(2.83)	(1.92)	(2.06)	(2.13)
Interest	(1.88)	(1.50)	(1.05)	(0.93)	(0.92)	(0.83)	(0.81)	(0.83)
Transaction costs	(0.01)	(0.19)	(0.64)	-	-	-	-	-
Other	-	0.02	0.02	(0.02)	0.02	-	-	-
Corporate netback (1)	24.29	3.32	18.65	21.40	13.76	22.40	16.58	17.30

(1) Funds from operations, net debt, operating netback and corporate netback are non-GAAP measures and additional information with respect to these measures can be found under the heading "*Non-GAAP Measures*".
(2) Net (dispositions) acquisitions exclude non-cash items for decommissioning liability and deferred taxes and is net of post-closing adjustments.
(3) Net debt includes the risk management liability acquired through the Steppe Acquisition.

Quarter over quarter fluctuations in revenue is the result of both the amount of oil volumes sent to sale as well as Gear's received price. Volume fluctuations are the result of well productivity and timing of deliveries to the sales point. The amount of volumes delivered to sale can be influenced by a variety of factors some of which include weather, truck and rail car availability, as well as pipeline apportionments. Gear's received price is based on WTI less the WCS, Edmonton Par and LSB oil differentials and is further decremented for the quality differential on its specific grade of oil. Net income is further impacted by royalty and operating expenses. Royalty expenses are directly linked to the price received by Gear and, on crown lands, the productivity of each producing well. Gear's royalty profile changes based on Gear's drilling program and on the results of its existing producing wells. Operating costs are heavily impacted by weather as well as the productivity of each well. Operating costs are typically higher in the winter months due to increased maintenance and energy costs. Transportation costs are included in operating costs, which fluctuate with the amount of volumes sold.

On September 18, 2018, Gear closed the Steppe Acquisition which provided Gear with increased sales, funds from operations and production in the third quarter of 2018 and thereafter.

CORPORATE INFORMATION

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President & CEO

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Bryan Dozzi
Vice-President, Engineering

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