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)	Q1 18	Q2 18	Q3 18	Q4 18	2018	19-Mar	Q1 19	19-Apr	19-May	Q2 19 TD	2019 YTD
Drill & Complete	3,624	3,451	14,936	5,596	**27,607**	1,576	6,112	190	-66	124	**6,236**
Facilities	3,742	2,742	3,490	5,137	**15,110**	1,428	2,676	708	485	1,193	**3,869**
Land & Seismic	2,766	282	39	34	**3,121**	514	671	11	9	20	**691**
A&D	390	10	65,471	301	**66,172**	-1,059	-1,038	-25	21	-4	**-1,042**
Other	-889	-90	285	-1,285	**-1,979**	-334	-207	67	114	181	**-26**
TOTAL	**9,633**	**6,395**	**84,220**	**9,783**	**110,032**	**2,125**	**8,214**	**951**	**563**	**1,514**	**9,728**

Production (boe/d) *

Sales	**6,522**	**7,025**	**6,747**	**6,847**	**6,786**	**6,731**	**6,877**	**7,600**	**6,859**	**7,223**	**7,017**
Field	6,810	6,532	6,729	7,030	6,776	6,737	6,649	7,201	6,824	7,009	6,795

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

Volatility continues to be the main theme in the energy industry. Gear released its full year budget on May 8th with WTI prices hovering nicely above US$60 per barrel. Shortly thereafter, prices dropped rather sharply to flirt with US$50 per barrel. Today they have recovered the majority of that drop, but who knows what tomorrow will bring.

With all these swings, I thought it might be helpful to provide some perspective on the various factors that influence Gear's funds from operations. I ran sensitivities using the corporate guidance for the second half of 2019 and the June 21st forward prices.

Production weighting	55% Heavy Oil 29% Light Oil 3% Medium Oil 3% NGL's 10% Gas
Base case Strip Pricing	US $57/bbl WTI US $17.67/bbl WCS differential US $8.18/bbl MSW/LSB differential CAD $1.30/mcf AECO $0.75 CAD/US fx
Costs	$18.00/bbl Operating Costs 11% Royalties $3.50/bbl G&A Plus Interest

The outcome of all these assumptions is the forecast of a funds from operations of $21 per boe.

To assess the impact of future volatility in the key variables, I ran a sensitivity model where I added or removed $5 from each of WTI, the WCS Diff and the MSW/LSB Diff. In addition, I ran a case where AECO prices were double the base case, and another where they went to zero. The end results of all these models are discussed as follows, in order of decreasing impacts.

It is likely no surprise that the largest variance in funds from operations occurs with volatility in WTI prices. A five dollar shift in WTI from the base case of $57 per barrel is a nine per cent adjustment, and that yields a 19 per cent change in predicted funds from operations per boe. Basically, this percentage variation in WTI impacts funds from operations by a factor of approximately two times.

The next most influential variable is the WCS differential, where a five dollar shift (representing 28 per cent of the base case $17.67) yields only a 14 per cent change in the funds from operations. It is interesting to see that this percentage change in WCS only impacts the funds from operations by half the amount.

The light oil differential has even less of an effect. A five dollar change in the MSW/LSB differential represents a substantial 61 per cent of the base case $8.18 amount, yet that change only results in a nine per cent difference in funds from operations.

The final variable is the least impactful of all. Ranging AECO gas prices up to $2.60 per mcf or down to zero has only a four per cent impact on the predicted funds from operations.

So what does this all mean…?

Gear Energy is first and foremost, an oil company. A diversified oil company with significant torque to WTI oil prices. And as such, we primarily hedge the WTI oil price because it has the most impact on our bottom line. Over the years, the heavy oil weighting has decreased to just over half of the commodity mix and the WCS differential is not nearly as impactful as it used to be. With the increasing light oil weighting, the company has added significant optionality to the portfolio. Optionality to invest in three different geographic areas and three different product streams, depending on the current pricing outlook for each. We are as prepared as we can be for continued volatility.

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.