FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Cdn$ thousands, except per share, share and per boe amounts)	Three months ended Sep 30, 2019	Sep 30, 2018	Jun 30, 2019	Nine months ended Sep 30, 2019	Sep 30, 2018
FINANCIAL					
Funds from operations (1)	**15,968**	11,578	17,104	**48,104**	33,329
Per boe	**25.07**	18.65	26.25	**25.22**	18.05
Per weighted average basic share	**0.07**	0.06	0.08	**0.22**	0.17
Cash flows from operating activities	**13,613**	16,831	18,881	**38,475**	40,214
Net income (loss)	**3,493**	706	5,684	**2,365**	(5,459)
Per weighted average basic share	**0.02**	-	0.03	**0.01**	(0.03)
Capital expenditures	**11,800**	18,749	3,334	**24,386**	34,377
Decommissioning liabilities settled	**1,170**	318	474	**2,043**	1,580
Net acquisitions (dispositions) (2)	**115**	65,470	(162)	**(1,085)**	65,870
Net debt (1) (3)	**69,837**	83,733	72,127	**69,837**	83,733
Weighted average shares, basic (thousands)	**219,084**	198,826	219,093	**219,063**	196,294
Shares outstanding, end of period (thousands)	**218,873**	218,776	219,093	**218,873**	218,776
OPERATING					
Production					
Heavy oil (bbl/d)	**3,929**	4,484	4,104	**4,060**	4,497
Light and medium oil (bbl/d)	**2,059**	1,228	2,166	**2,030**	1,219
Natural gas liquids (bbl/d)	**218**	268	228	**227**	237
Natural gas (mcf/d)	**4,295**	4,609	3,977	**4,021**	4,879
Total (boe/d)	**6,922**	6,748	7,161	**6,987**	6,766
Average prices					
Heavy oil ($/bbl)	**52.93**	56.79	60.45	**55.45**	51.89
Light and medium oil ($/bbl)	**65.88**	76.57	71.60	**67.24**	72.37
Natural gas liquids ($/bbl)	**26.70**	35.02	13.11	**22.04**	38.18
Natural gas ($/mcf)	**0.79**	0.93	0.92	**1.33**	1.24
Selected financial results ($/boe)					
Commodity and other sales	**50.97**	53.70	57.23	**53.26**	49.76
Royalties	**(6.06)**	(7.33)	(6.87)	**(5.78)**	(5.79)
Operating costs	**(17.20)**	(17.69)	(18.08)	**(18.00)**	(16.91)
Operating netback (1)	**27.71**	28.68	32.28	**29.48**	27.06
Realized risk management gain (loss)	**0.80**	(6.55)	(1.65)	**(0.35)**	(5.44)
General and administrative	**(2.03)**	(1.81)	(2.47)	**(2.18)**	(2.39)
Interest	**(1.52)**	(1.05)	(1.90)	**(1.76)**	(0.97)
Transaction costs and realized gain (loss) on foreign exchange	**0.11**	(0.62)	(0.01)	**0.03**	(0.21)
TRADING STATISTICS					
($ based on intra-day trading)					
High	**0.60**	1.47	0.88	**0.88**	1.47
Low	**0.41**	1.00	0.53	**0.41**	0.66
Close	**0.47**	1.17	0.57	**0.47**	1.17
Average daily volume (thousands)	**406**	522	412	**367**	603

(1) Funds from operations, net debt and operating 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 acquisitions (dispositions) 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. September 30, 2019 – $0.7 million, September 30, 2018 – $6.2 million, June 30, 2019 – $1.6 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 November 6, 2019 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements as at and for the three and nine months ended September 30, 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 33 employees with 22 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

Table 1 summarizes Gear's revised guidance estimates. New guidance figures include the first nine months of 2019 actual results.

Table 1

	New 2019 Guidance	**Previous 2019 Guidance (1)**	Sep 30, 2019 YTD Actuals
Average production (boe/d)	**6,900 – 7,100**	**6,800 – 7,100**	6,987
Heavy oil weighting (%)	**59**	**56**	58
Light/medium oil and NGLs weighting (%)	**32**	**34**	32
Royalty rate (%)	**11**	**11**	11
Operating and transportation costs ($/boe)	**18.00**	**18.00**	18.00
General and administrative expense ($/boe)	**2.00**	**2.00**	2.18
Interest expense ($/boe)	**1.50**	**1.50**	1.76
Capital and abandonment expenditures ($ millions)	**40.5**	**42.5**	26.4

(1) Previous 2019 Guidance was originally provided in Gear's press release dated May 8, 2019 entitled "Gear Energy Ltd. Announces First Quarter 2019 Operating Results and 2019 Budget" and in Gear's MD&A for the first quarter of 2019.

Minor revisions to guidance are a result of ongoing optimization of development capital spending, realized costs savings on the 2019 drilling program to date, and improved production performance to date.

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

Table 2

	Three months ended				Nine months ended		
	Sep 30, 2019	Sep 30, 2018	% Change	Jun 30, 2019	**Sep 30, 2019**	Sep 30, 2018	% Change
Funds from operations per debt adjusted share (1)	**0.044**	0.047	(6)	0.051	**0.135**	0.131	3
Cash flows from operating activities per debt adjusted share (1)	**0.037**	0.068	(46)	0.056	**0.108**	0.158	(32)
Production, boepd per debt adjusted thousand shares (1)	**0.019**	0.027	(30)	0.021	**0.020**	0.027	(26)

(1) Funds from operations per debt adjusted share, cash flows from operating activities 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 THIRD QUARTER FINANCIAL AND OPERATIONAL RESULTS

Funds from Operations and Cash Flows from Operating Activities

Funds from operations increased from $11.6 million or $18.65 per boe in the third quarter of 2018 to $16.0 million or $25.07 per boe in the third quarter of 2019. The increase in funds from operations for the third quarter of 2019 is the result of higher production volumes, realized gain on risk management contracts, decreased royalty, operating, transaction costs and realized gain on foreign exchange, offset by decreased realized commodity prices and increased general and administrative and interest costs.

Funds from operations increased from $33.3 million and $18.05 per boe in the nine months ended September 30, 2018 to $48.1 million and $25.22 per boe in the nine months ended September 30, 2019. The increase in funds from operations for the nine months ended September 30, 2019 is the result of increased revenues due to higher production volumes and realized commodity prices, decreased realized loss on risk management contracts and decreased general and administrative, transaction costs and realized gain on foreign exchange, offset by increased royalty, operating and interest costs.

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

Table 3

	Three months ended Sep 30		Nine months ended Sep 30	
	$ thousands	$/boe	$ thousands	$/boe
Q3 2018 Funds from operations (1)	11,578	18.65	33,329	18.05
Volume variance	860	-	2,997	-
Price variance	(1,735)	(2.73)	6,688	3.50
Realized gain on risk management contracts	4,574	7.35	9,386	5.09
Royalties	689	1.27	(322)	0.01
Expenses:				
Operating	23	0.49	(3,085)	(1.09)
General and administrative	(166)	(0.22)	251	0.21
Interest	(314)	(0.47)	(1,581)	(0.79)
Transaction costs and realized gain on foreign exchange	459	0.73	441	0.24
Q3 2019 Funds from operations (1)	15,968	25.07	48,104	25.22

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

Cash flows from operating activities decreased from $16.8 million or $27.11 per boe for the third quarter of 2018 to $13.6 million or $21.38 per boe for the third quarter of 2019. The decrease in cash flows from operating activities is the result of decreased realized commodity prices, increased general and administrative and interest costs, increased decommissioning liabilities settled and decrease in non-cash working capital, offset by higher production volumes, realized gain on risk management contracts, decreased royalty, operating, transaction costs and realized gain on foreign exchange.

For the nine months ended September 30, 2019, cash flows from operating activities decreased from $40.2 million or $21.77 per boe for the nine months ended September 30, 2018 to $38.5 million or $20.17 per boe. This year-over-year decrease is the result of increased royalty, operating and interest costs, increased decommissioning liabilities settled and decrease in non-cash working capital, offset by increased revenues due to higher production volumes and realized commodity prices, decreased realized loss on risk management contracts and decreased general and administrative, transaction costs and realized gain on foreign exchange.

Net income
Gear generated net income of $3.5 million and $2.4 million for the three and nine months ended September 30, 2019 compared to net income of $0.7 million and a net loss of $5.5 million for the same periods in 2018, respectively. The changes in net income are due to several factors discussed below.

Production
Production volumes averaged 6,922 boe per day and 6,987 boe per day for the three and nine months ended September 30, 2019, representing increases of three per cent over the same periods of 2018. Increased production is the result of volume additions from Gear's fourth quarter 2018 and 2019 drilling programs and inclusion of base volumes in the Tableland area which was acquired in the acquisition of Steppe Resources Inc. (the "Steppe Acquisition") in the third quarter of 2018, offset by natural declines on Gear's base production. Third quarter production declined slightly from the second quarter as a result of lower sales from inventory and offset shut-in production to execute Gear's second half 2019 drilling program.

In the first half of 2019 Gear drilled three wells in Tableland; two core area wells coming on in March and one step-out well coming on in July. During the third quarter, the three wells contributed a total of 435 barrels per day, with a normalized average rate of 185 barrels per day per well over the initial 60 days of production.

Gear's third quarter drilling program included eight gross (eight net) wells; six heavy oil multilateral wells in Wildmere, one heavy oil multilateral well in Maidstone and one light oil well in Wilson Creek. The majority of these wells came on production near the end of the third quarter, contributing only 70 barrels per day of oil to the average quarterly production. Subsequent to quarter-end, seven of the eight wells have averaged approximately 100 boe per day per well over the first 30 days of production. The remaining well in Maidstone has just recently started producing. Production in the fourth quarter is expected to increase over the third quarter and full year guidance has also been increased slightly to range between 6,900 and 7,100 boe per day.

Table 4

	Three months ended				Nine months ended		
Production	**Sep 30, 2019**	Sep 30, 2018	% Change	Jun 30, 2019	**Sep 30, 2019**	Sep 30, 2018	% Change
Liquids (bbl/d)							
Heavy oil (bbl/d)	**3,929**	4,484	(12)	4,104	**4,060**	4,497	(10)
Light and Medium oil (bbl/d)	**2,059**	1,228	68	2,166	**2,030**	1,219	67
Natural gas liquids (bbl/d)	**218**	268	(19)	228	**227**	237	(4)
Total liquids (bbl/d)	**6,206**	5,980	4	6,498	**6,317**	5,953	6
Natural gas (mcf/d)	**4,295**	4,609	(7)	3,977	**4,021**	4,879	(18)
Total production (boe/d) (1)	**6,922**	6,748	3	7,161	**6,987**	6,766	3
% Liquids production	**90**	89	1	91	**90**	88	2
% Natural gas production	**10**	11	(9)	9	**10**	12	(17)

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

Throughout the first half of 2019 Gear experienced production levels restricted by pipeline apportionments, limited crude-by-rail activity and third-party downtime. These limitations did not exist in the third quarter; however, the egress environment is still uncertain, and these pressures could present themselves again.

Revenue
Sales of crude oil, natural gas and natural gas liquids for the third quarter of 2019 totaled $32.5 million, a three per cent decrease over the third quarter 2018 sales of $33.3 million. This decrease is the result of lower realized commodity prices, partially offset by higher production volumes. For the nine months ended September 30, 2019, sales of crude oil, natural gas and natural gas liquids increased 11 per cent from $91.9 million in 2018 to $101.6 million in 2019. This increase is the result of higher production volumes and higher realized oil prices.

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

Table 5

Sales by product	Three months ended				Nine months ended		
($ thousands)	**Sep 30, 2019**	Sep 30, 2018	% Change	Jun 30, 2019	**Sep 30, 2019**	Sep 30, 2018	% Change
Oil and natural gas liquids	**32,146**	32,940	(2)	36,965	**100,131**	90,257	11
Natural gas	**313**	394	(21)	332	**1,462**	1,651	(11)
Total revenue	**32,459**	33,334	(3)	37,297	**101,593**	91,908	11

Commodity Prices
Table 6

Average Benchmark Prices	Three months ended Sep 30, 2019	Sep 30, 2018	% Change	Jun 30, 2019	Nine months ended Sep 30, 2019	Sep 30, 2018	% Change
WTI oil (US$/bbl) (1)	**56.45**	69.50	(19)	59.82	**57.06**	66.75	(15)
WCS heavy oil (Cdn$/bbl) (2)	**58.39**	61.75	(5)	65.73	**60.24**	57.69	4
Canadian Light Sweet (3) (Cdn$/bbl)	**68.40**	81.97	(17)	73.82	**69.57**	78.22	(11)
LSB (Cdn$/bbl) (4)	**68.69**	82.85	(17)	74.29	**70.19**	78.23	(10)
AECO natural gas ($/mcf) (5)	**0.90**	1.16	(22)	1.01	**1.50**	1.44	4
Cdn$ / US$ exchange rate	**1.32**	1.31	1	1.34	**1.33**	1.29	3
Gear Realized Prices							
Heavy oil ($/bbl)	**52.93**	56.79	(7)	60.45	**55.45**	51.89	7
Light and medium oil ($/bbl)	**65.88**	76.57	(14)	71.60	**67.24**	72.37	(7)
Natural gas liquids ($/bbl)	**26.70**	35.02	(24)	13.11	**22.04**	38.18	(42)
Natural gas ($/mcf)	**0.79**	0.93	(15)	0.92	**1.33**	1.24	7
Weighted average, before risk management contracts ($/boe)	**50.97**	53.70	(5)	57.23	**53.26**	49.76	7
Realized risk management loss ($/boe)	**0.80**	(6.55)	-	(1.65)	**(0.35)**	(5.44)	(94)
Weighted average, after risk management contracts ($/boe)	**51.77**	47.15	10	55.58	**52.91**	44.32	19

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

For the third quarter of 2019, US denominated WTI prices decreased by 19 per cent over the same period in 2018, the WCS differential narrowed from US$22.25 per barrel to US$12.24 per barrel and the Canadian Light Sweet differential narrowed from US$6.83 per barrel to US$4.66 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$4.44 per barrel in the third quarter of 2019 compared to US$6.26 per barrel in the third quarter of 2018. These pricing movements along with the weakening of the Canadian dollar resulted in a decrease in Gear's realized pricing from $53.70 per boe to $50.97 per boe.

For the first nine months of 2019 WTI decreased from US$66.75 per barrel to US$57.06 per barrel over the same period in 2018, the WCS differential narrowed from US$21.93 per barrel to US$11.73 per barrel, the Canadian Light Sweet differential narrowed from US$6.11 per barrel to US$4.71 per barrel and the LSB oil index narrowed from US$6.11 per barrel to US$4.24 per barrel. These pricing movements along with the weakening of the Canadian dollar resulted in an increase in Gear's realized pricing from $49.76 per boe to $53.26 per boe.

Royalties

In the third quarter of 2019, royalties as a percentage of commodity sales were 11.9 per cent compared to 13.6 per cent for the same period in 2018. For the nine months ended September 30, royalties as a percentage of commodity sales decreased slightly from 11.6 per cent in 2018 to 10.8 per cent in 2019. The decrease in royalties as a percentage of commodity sales was the result of properties acquired through the Steppe Acquisition in the third quarter of 2018 which carry a lower royalty burden than Gear's legacy properties, partially offset by the end of incentive rates for wells drilled in previous years on crown lands.

Table 7

Royalty expense ($ thousands except % and per boe)	Three months ended Sep 30, 2019	Sep 30, 2018	% Change	Jun 30, 2019	Nine months ended Sep 30, 2019	Sep 30, 2018	% Change
Royalty expense	**3,861**	4,550	(15)	4,475	**11,016**	10,694	3
Royalty expense as a % of Sales	**11.9**	13.6	(13)	12.0	**10.8**	11.6	(7)
Royalty expense per boe	**6.06**	7.33	(17)	6.87	**5.78**	5.79	-

Operating and Transportation Expenses

Operating costs plus transportation for the third quarter decreased to $17.20 per boe compared to $17.69 per boe for the same period in 2019 due to increased production volumes in 2019. For the nine months ended September 30, 2019 operating costs plus transportation were $18.00 per boe compared to $16.91 per boe for the same period in 2018. This year over year increase is mainly due to the inclusion of operating costs associated with properties acquired in the Steppe Acquisition in the third quarter of 2018. Despite continued wet weather, operating costs plus transportation decreased from $18.08 per boe in the second quarter of 2019 to $17.20 per boe in the third quarter of 2019.

Table 8 below summarizes the operating and transportation expenses:

Table 8

Operating and Transportation expenses ($ thousands except per boe)	Three months ended **Sep 30, 2019**	Sep 30, 2018	% Change	Jun 30, 2019	Nine months ended **Sep 30, 2019**	Sep 30, 2018	% Change
Operating expense	**9,617**	9,761	(1)	10,316	**30,098**	27,594	9
Transportation expense	**1,339**	1,218	10	1,465	**4,230**	3,649	16
Operating and transportation expense	**10,956**	10,979	-	11,781	**34,328**	31,243	10
Operating expense per boe	**15.10**	15.73	(4)	15.83	**15.78**	14.93	6
Transportation expense per boe	**2.10**	1.96	7	2.25	**2.22**	1.98	12
Operating and transportation expense per boe	**17.20**	17.69	(3)	18.08	**18.00**	16.91	6

Operating Netbacks

Gear's operating netback was $27.71 per boe for the third quarter of 2019, a decrease of three per cent from the third quarter of 2018. This decrease in operating netback was primarily the result of decreased commodity prices, partially offset by reduced royalties and operating costs. For the nine months ended September 30, 2019 Gear's operating netback was $29.48 per boe, an increase of nine per cent from the same period in 2018. This increase in operating netback was primarily the result of increased realized oil prices, partially offset by higher operating costs.

The components of operating netbacks are summarized in Table 9:

Table 9

Operating Netback ($ per boe)	Three months ended **Sep 30, 2019**	Sep 30, 2018	% Change	Jun 30, 2019	Nine months ended **Sep 30, 2019**	Sep 30, 2018	% Change
Total sales	**50.97**	53.70	(5)	57.23	**53.26**	49.76	7
Royalties	**(6.06)**	(7.33)	(17)	(6.87)	**(5.78)**	(5.79)	-
Operating costs	**(17.20)**	(17.69)	(3)	(18.08)	**(18.00)**	(16.91)	6
Operating Netback	**27.71**	28.68	(3)	32.28	**29.48**	27.06	9

General and Administrative ("G&A") Expenses and Share-Based Compensation ("SBC")

G&A expenses totaled $1.3 million and $4.2 million for the three and nine months ended September 30, 2019 compared to $1.1 million and $4.4 million for the same periods in 2018, respectively. The changes in G&A costs is primarily due to fluctuations in personnel costs. G&A on a per boe basis was $2.03 per boe and $2.18 per boe for the three and nine months ended September 30, 2019, representing an increase of 12 per cent and a decrease of nine per cent over the same periods in 2018, respectively. G&A decreased $0.3 million or $0.44 per boe from the second quarter to the third quarter of 2019 due to lower consulting and professional fees.

Table 10 is a breakdown of G&A and SBC expense:

Table 10

G&A and SBC expense ($ thousands except per boe)	Three months ended **Sep 30, 2019**	Sep 30, 2018	% Change	Jun 30, 2019	Nine months ended **Sep 30, 2019**	Sep 30, 2018	% Change
G&A, before recoveries and capitalized G&A	**1,844**	2,100	(12)	2,123	**5,658**	6,126	(8)
Overhead recoveries	**(145)**	(158)	(8)	(125)	**(371)**	(473)	(22)
Capitalized G&A	**(408)**	(817)	(50)	(387)	**(1,120)**	(1,235)	(9)
G&A	**1,291**	1,125	15	1,611	**4,167**	4,418	(6)
SBC expense	**77**	303	(75)	212	**507**	846	(40)
G&A per boe	**2.03**	1.81	12	2.47	**2.18**	2.39	(9)
SBC expense per boe	**0.12**	0.49	(76)	0.33	**0.27**	0.46	(41)

SBC is related to the granting of stock options. There were 7.7 million options granted during the nine months ended September 30, 2019 at an average price of $0.44, 0.5 million options exercised at an average price of $0.72, 3.4 million options expired at an average price of $2.39 and 1.2 million options forfeited at an average exercise price of $0.85. As at September 30, 2019, a total of 16.7 million options with a weighted average exercise price of $0.76 per share were outstanding, representing approximately 7.6 per cent of the 218.9 million total common shares outstanding. Subsequent to September 30, 2019, 1.7 million options expired, leaving a balance of 15.0 million options outstanding as at the date of this MD&A. 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
Interest and financing charges totaled $1.0 million and $3.4 million for the three and nine months ended September 30, 2019, a 48 per cent and 89 per cent increase over the same periods in 2018, respectively. 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 third quarter of 2019 compared to 4.9 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") on a rolling six-month period.

Table 11 is a breakdown of interest expense:

Table 11

Interest and financing charges	Three months ended				Nine months ended		
($ thousands except per boe)	**Sep 30, 2019**	Sep 30, 2018	% Change	Jun 30, 2019	**Sep 30, 2019**	Sep 30, 2018	% Change
Interest expense	**899**	499	80	1,162	**3,157**	1,494	111
Financing charges	**34**	109	(69)	24	**77**	200	(62)
Standby fees	**33**	44	(25)	52	**131**	90	46
Interest and financing charges	**966**	652	48	1,238	**3,365**	1,784	89
Interest and financing charges per boe	**1.52**	1.05	45	1.90	**1.76**	0.97	81

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 of collars and swap contracts. Upon the completion of the Steppe Acquisition, Gear assumed several WTI CAD swap contracts. The risk management liability of these contracts was $6.2 million at the acquisition date and $0.7 million at September 30, 2019. Changes in fair value of these acquired risk management contracts from the acquisition date fair value are realized in Gear's Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) as well as funds from operations. Gear incurred a realized gain on risk management contracts of $0.5 million and a realized loss on risk management contracts of $0.7 million for the three and nine months ended September 30, 2019, respectively, compared to losses of $4.1 million and $10.1 million for the same periods in 2018.

Gear has fully executed its 2019 risk management program and its 2020 program is nearly complete. For 2019, Gear has 2,500 barrels of oil per day hedged in collars with an average WTI floor price of C$64.28 per barrel and an average WTI ceiling of C$96.28 per barrel. Gear also has 400 barrels of oil per day hedged in swap contracts from the Steppe Acquisition with an average price of C$67.30 per barrel. For 2020, Gear has 2,572 barrels of oil per day hedged with an average WTI floor price of C$67.61 per barrel and an average WTI ceiling of C$80.68 per barrel.

Table 12 summarizes Gear's current risk management contracts:

Table 12

Financial WTI Crude Oil Contracts

Term		Contract	Currency	Volume	Sold Swap	Sold Call	Bought Put	Sold Put
				bbl/d	$/bbl	$/bbl	$/bbl	$/bbl
Oct 1, 2019	Dec 31, 2019	Three-way Collar	USD/CAD	600	-	U$66.00	C$62.00	C$52.00
Oct 1, 2019	Dec 31, 2019	Three-way Collar	USD/CAD	600	-	U$72.00	C$65.00	C$55.00
Oct 1, 2019	Dec 31, 2019	Three-way Collar	CAD	1,200	-	100.00	65.00	55.00
Oct 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	-
Oct 1, 2019	Dec 31, 2019	Swap(1)	CAD	400	67.30	-	-	-
Jan 1, 2020	Jun 30, 2020	Swap	CAD	1,800	72.50	-	-	-
Jan 1, 2020	Jun 30, 2020	Collar	CAD	700	-	84.00	65.00	-
Jul 1, 2020	Dec 31, 2020	Three-way Collar	CAD	400	-	75.40	65.00	55.00
Jul 1, 2020	Dec 31, 2020	Three-way Collar	CAD	850	-	75.75	65.00	55.00

(1) Acquired through the acquisition of Steppe.

Financial Foreign Exchange Contract

Term		Contract	Currency	Amount	Forward Rate
				$ thousands	CAD/USD
Oct 1, 2019	Oct 25, 2019	Swap	USD	U$33,607	1.32711

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")

During the third quarter of 2019 DD&A was $20.05 per boe compared to $16.64 per boe in the same period in 2018, representing an increase of 20 per cent. Similarly, for the nine months ended September 30, 2019, the DD&A rate increased 21 per cent over the same period in 2018. These increases in the DD&A rate are due to the Steppe Acquisition in the third quarter of 2018. These acquired properties in Tableland carry a higher finding and development cost.

Table 13 is a breakdown of DD&A expenses:

Table 13

DD&A Rate	Three Months Ended				Nine Months Ended		
($ thousands except per boe)	**Sep 30, 2019**	Sep 30, 2018	% Change	Jun 30, 2019	**Sep 30, 2019**	Sep 30, 2018	% Change
DD&A	**12,771**	10,330	24	12,999	**37,748**	30,183	25
Total DD&A rate per boe	**20.05**	16.64	20	19.95	**19.79**	16.34	21

Taxes

For the three and nine months ended September 30, 2019, a deferred tax expense of $0.7 million was recorded. Gear has evaluated the ultimate utilization of existing tax pools, which supports the $25.9 million deferred income tax asset recognized as at September 30, 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. No cash income taxes were paid in 2019 and 2018.

Capital Expenditures, Acquisitions and Dispositions

Capital expenditures including acquisitions and dispositions for the three and nine months ended September 30, 2019 were $11.9 million and $23.3 million, respectively, compared to $84.2 million and $100.2 million in the same periods of 2018. During the third quarter of 2019 Gear successfully drilled eight gross (eight net) wells; six heavy oil wells in Wildmere, one heavy oil well in Maidstone and one light oil well in Wilson Creek.

Capital costs relating to Gear's heavy oil drilling in Wildmere have been lower than originally planned due to improved well design and shorter drill times. Full year capital and abandonment expenditure guidance has been adjusted downwards to $40.5 million to reflect these costs savings as well as timing adjustments on other capital projects. The current fourth quarter capital program includes the drilling of five gross (five net) wells; one heavy oil well in Maidstone, two heavy oil wells in Wildmere and two light oil wells in Tableland.

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

Table 14

Capital expenditures	Three months ended				Nine months ended		
($ thousands)	**Sep 30, 2019**	Sep 30, 2018	% Change	Jun 30, 2019	**Sep 30, 2019**	Sep 30, 2018	% Change
Drilling and completions	**9,472**	15,505	(39)	2,112	**17,874**	22,863	(22)
Production equipment and facilities	**2,305**	3,172	(27)	1,184	**5,766**	8,394	(31)
Geological and geophysical	**4**	11	(64)	17	**635**	371	71
Undeveloped land purchased at crown land sales	**15**	29	(48)	14	**86**	2,717	(97)
Other	**4**	32	(88)	7	**25**	32	(22)
Total capital expenditures	**11,800**	18,749	(37)	3,334	**24,386**	34,377	(29)
Property acquisitions and dispositions, net (1)	**115**	65,470	(100)	(162)	**(1,085)**	65,870	-
Total capital expenditures and net acquisitions and dispositions	**11,915**	84,219	(86)	3,172	**23,301**	100,247	(77)

(1) Includes post-closing adjustments.

In early 2019 Gear initiated marketing of a potential disposition package of non-core Alberta heavy oil properties. Gear evaluated all offers received but determined none to be satisfactory and as such this process is currently on hold.

Decommissioning Liability

Gear has recorded a decommissioning liability of $96.1 million at September 30, 2019 ($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 liability has been inflated at two per cent and discounted using a risk-free rate of 1.53 per cent (2.0 per cent and 2.18 per cent, respectively at December 31, 2018). Abandonment cost estimates are derived from third party government sources and internal cost estimates and can fluctuate from time to time. The increase in the liability is 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 $1.2 million and $2.0 million of decommissioning liabilities settled in the three and nine months ended September 30, 2019 compared to $0.3 million and $1.6 million for the same periods of 2018, respectively. During the nine months ended September 30, 2019 Gear abandoned 50 wells with an average cost to abandon of $24,000 per well or approximately half of what was estimated by the provincial regulators. As at the date of this MD&A Gear has abandoned 71 wells in 2019 which is over four times the number of wells that are anticipated to be drilled during the year. As at September 30, 2019 Gear's Licensee Liability Rating was 1.64 times in Alberta, 5.09 times in Saskatchewan and 2.16 times corporately.

Capitalization, Financial Resources and Liquidity

A breakdown of Gear's capital structure is outlined in Table 15, as at September 30, 2019 and December 31, 2018:

Table 15

Debt ($ thousands except ratio amounts)	**Sep 30, 2019**	Dec 31, 2018
Net debt (1)	**69,837**	91,908
Net debt to quarterly annualized funds from operations (1)	**1.1**	11.1
Common shares outstanding	**218,873**	219,015

(1) Net debt and net debt to quarterly annualized funds from operations are non-GAAP measures and are reconciled to the nearest GAAP measure below under the heading "Non-GAAP Measures".

Net debt decreased $22.1 million or 24 per cent from $91.9 million at December 31, 2018 to $69.8 million at September 30, 2019 as funds from operations exceeded spending on capital and abandonments. Throughout the third quarter net debt was reduced by $2.3 million or three per cent. For the remainder of the year Gear intends capital and abandonment spending and spending on equity repurchases pursuant to its Normal Course Issuer Bid ("NCIB") to approximate funds from operations based on the current forward pricing strip and, as such, Gear's net debt is expected to remain relatively unchanged at December 31, 2019.

Credit Facilities

At September 30, 2019 Gear had a $70.0 million revolving term credit facility with a syndicate of three banks (the "Syndicate") and a $20.0 million operating facility (collectively, the "Credit Facilities") totaling $90.0 million. In May 2019, the terms of the Credit Facilities were amended to reduce the total borrowing base from $115.0 million to $90.0 million and to include additional compliance, consent and reporting requirements relating to Gear's provincial liability management rating and decommissioning obligation. 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 US dollar denominated LIBOR loans and 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 28, 2021. Gear is currently undergoing its semi-annual borrowing base review which is expected to be completed on or before November 30, 2019. As at September 30, 2019 Gear had $62.9 million drawn on the Credit Facilities (December 31, 2018 – $78.5 million) and outstanding letters of credit of $0.8 million (December 31, 2018 – $0.2 million), leaving additional borrowing capacity of $26.3 million.

The Credit Facilities carry non-financial covenants and a single financial covenant to maintain an adjusted working capital ratio of not less than 1.0:1. Adjusted working capital ratio is defined as current assets less risk management contracts plus the undrawn portion of the Credit Facilities, divided by current liabilities less risk management contracts. As at September 30, 2019 Gear was in compliance with its non-financial and financial covenants. As at September 30, 2019 Gear had an adjusted working capital ratio of 2.6.

Convertible Debentures
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 September 30, 2019 and the date of this MD&A, $13.3 million and $13.2 million of Convertible Debentures were outstanding, respectively. Subsequent to September 30, 2019 approximately 0.1 million Convertible Debentures were converted to 0.1 million common shares. An aggregate of up to 15.3 million and 15.2 million additional Gear common shares may be issued on conversion of the Convertible Debentures that remain outstanding at September 30, 2019 and the date hereof, respectively. 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
On September 23, 2019, Gear announced the approval of its NCIB by the Toronto Stock Exchange ("TSX"). The NCIB allows the Company to purchase for cancellation up to approximately 11.0 million common shares over a period of twelve months commencing on September 25, 2019. Under the terms of the Credit Facilities, Gear can initially purchase shares with an aggregate value of $1.5 million without the consent of Gear's lenders.

Purchases are made on the open market through the TSX or alternative Canadian trading platforms at the prevailing market price of such common shares at the time of purchase. When the Company repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. When the carrying value exceeds the purchase price the excess is credited to contributed surplus or conversely the excess of the purchase price over the carrying value is recognized as a deduction from retained earnings. For the period ended September 30, 2019, 0.2 million common shares were repurchased at an average cost of $0.47 per share.

As at September 30, 2019 and the date of this MD&A, Gear had 218.9 million and 218.5 million common shares outstanding, respectively. Subsequent to September 30, 2019 approximately 0.1 million common shares were issued on conversion of Convertible Debentures and 0.4 million common shares were repurchased for cancellation at an average cost of $0.46 per share. At December 2018, Gear had 219.0 million common shares outstanding.

As at September 30, 2019, a total of 16.7 million options were outstanding with a weighted average exercise price of $0.76 per share and each option entitled the holder to acquire one Gear common share. Subsequent to September 30, 2019, 1.7 million options expired, leaving a balance of 15.0 million options outstanding as at the date of this MD&A.

As at December 31, 2018, there were 0.3 million warrants outstanding to acquire 0.6 million common shares of Gear at a price of $1.03 per share. These warrants expired on July 8, 2019.

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. Gear will continue to monitor developments in this area.

For 2019, Gear has focused on a large abandonment program as explained in the Decommissioning Liability section above. Furthermore, Gear continues to conserve natural gas from the majority of its new oil wells in 2019. In Southeast Saskatchewan in Tableland, Gear is currently exploring options to reduce flaring emissions.

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 ("Redwater")*, 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 Alberta Energy Regulator ("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 September 30, 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 $0.2 million. The drilling rig commitment expires December 31, 2020 with a total commitment of $1.6 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.

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, net debt, net debt to quarterly annualized funds from operations, debt adjusted shares, funds from operations per debt adjusted share, cash flows from operating activities per debt adjusted share, production per day per debt adjusted thousand shares and operating netback 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 decommissioning liabilities, repay debt and/or repurchase common shares under the Company's NCIB. 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			Nine months ended	
($ thousands)	**Sep 30, 2019**	Sep 30, 2018	Jun 30, 2019	**Sep 30, 2019**	Sep 30, 2018
Cash flows from operating activities	**13,613**	16,831	18,881	**38,475**	40,214
Decommissioning liabilities settled	**1,170**	318	474	**2,043**	1,580
Change in non-cash working capital	**1,185**	(5,571)	(2,251)	**7,586**	(8,465)
Funds from operations	**15,968**	11,578	17,104	**48,104**	33,329

Net Debt
Net debt is a non-GAAP measure defined as debt less current working capital items, excluding certain risk management contracts and decommissioning liabilities. Gear uses net debt as a key indicator of its leverage and strength of its balance sheet. Changes in net debt are primarily a result of funds from operations, capital and abandonment expenditures, equity issuances and equity repurchases pursuant to the NCIB. Net debt may not be comparable with the calculation of similar measures for other companies.

Table 17

Capital Structure and Liquidity ($ thousands)	**Sep 30, 2019**	Dec 31, 2018
Debt	**62,906**	78,461
Convertible Debentures (at face value) (1)	**13,290**	13,315
Working capital surplus (2)	**(7,015)**	(4,340)
Risk management contracts (3)	**656**	4,472
Net debt	**69,837**	91,908

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

Gear had a working capital surplus at September 30, 2019. 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.

Net Debt to Quarterly Annualized Funds from Operations
Net debt to quarterly annualized funds from operations is a non-GAAP measure and is defined as net debt divided by the annualized funds from operations for the most recently completed quarter. Gear uses net debt to quarterly annualized funds from operations to analyze financial and operating performance. Management considers this a key measure as it demonstrates the Company's ability to pay off its debt and take on new debt, if necessary, using the most recent quarter's results. This measure may not be comparable with the calculation of similar measures for other companies.

Debt Adjusted Shares
Debt adjusted shares are calculated as the weighted average shares plus the share equivalent on Gear's average net

debt over the period, assuming that net debt were to be extinguished with a share issuance based on the weighted average share price in the period; however, it should be noted that Gear's bank debt is not convertible into shares and, although Gear's Convertible Debentures are convertible into shares, the calculation of debt adjusted shares is not based on the conversion of the Convertible Debentures in accordance with the terms of such Convertible Debentures. The calculation of debt adjusted shares assumes that Gear issues shares for cash proceeds and such proceeds are used to repay the amounts outstanding under both the Company's bank debt and the Convertible Debentures. Currently the Convertible Debentures cannot be redeemed by Gear but are still assumed to be extinguished in the per debt adjusted share calculations. Management considers debt adjusted shares a useful measure as it enables oil and gas companies to be put on an equal, enterprise value-based footing when calculating per share numbers. Debt adjusted shares may not be comparable with the calculation of similar measures for other companies.

Table 18 below reconciles the debt adjusted shares:

Table 18

	Three months ended			Nine months ended	
(thousands, except per share amounts)	**Sep 30, 2019**	Sep 30, 2018	Jun 30, 2019	**Sep 30, 2019**	Sep 30, 2018
Weighted average basic shares	**219,084**	198,826	219,093	**219,063**	196,294
Average share price (1)	**0.49**	1.27	0.68	**0.59**	1.08
Average net debt (2)	**70,982**	61,347	78,934	**80,873**	63,501
Share equivalent on average net debt (3)	**144,861**	48,304	116,079	**137,073**	58,797
Debt adjusted shares	**363,945**	247,130	335,172	**356,136**	255,091

(1) Average share price obtained by total trade value divided by total trade volume for Gear shares for the three and nine months ended.
(2) Average net debt obtained by a simple average between opening and ending net debt for the three and nine months ended.
(3) Share equivalent on average net debt obtained by average net debt divided by average share price for the three and nine months ended.

Funds from operations per debt adjusted share
Management considers funds from operations per debt adjusted share a useful measure as it enables oil and gas companies to be put on an equal, enterprise value-based footing when calculating per share numbers to demonstrate its ability to generate the funds from operations necessary to fund its capital program and settle decommissioning liabilities, repay debt and/or repurchase common shares under the Company's NCIB. Funds from operations per debt adjusted share may not be comparable with the calculation of similar measures for other companies.

Cash flows from operating activities per debt adjusted share
Management considers cash flows from operating activities per debt adjusted share a useful measure as it enables oil and gas companies to be put on an equal, enterprise value-based footing when calculating per share numbers to demonstrate its ability to generate the cash flows from operating activities necessary to fund its capital program and repay debt. Cash flows from operating activities per debt adjusted share may not be comparable with the calculation of similar measures for other companies.

Production, boepd per debt adjusted thousand shares
Management considers production, boepd per debt adjusted thousand shares a useful measure as it enables oil and gas companies to be put on an equal, enterprise value-based footing when calculating per share numbers to demonstrate its ability to produce oil and gas. Production, boepd per debt adjusted thousand shares may not be comparable with the calculation of similar measures for other companies.

Operating Netback
Operating netbacks are calculated based on the amount of revenues received on a per unit of production basis after royalties and operating costs. Management considers operating netback to be a key measure of operating performance and profitability on a per unit basis of production. Operating netback may not be comparable with the calculation of similar measures for other companies.

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 and foreign exchange rates;

- Estimated decommissioning liabilities that are dependent upon estimates of future costs and timing of expenditures;
- Estimated future utilization of tax pools; and
- Estimated employee share- 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 September 30, 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 September 30, 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 Sheets 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 effect 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 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 Sheets. 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 Income (Loss) and Comprehensive Income (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 Lookback

Upon announcement of the Steppe Acquisition in a press release (the "Steppe Press Release") dated July 23, 2018 entitled "Gear Energy Ltd. Announces Acquisition of Steppe Resources Inc.", Gear provided certain guidance for Gear's intended drilling program on the assets to be acquired in the Steppe Acquisition. The following table compares 2019 actual results to date relating to assets acquired in the Steppe Acquisition as compared to the previous guidance in the Steppe Press Release:

Table 19

	2019 Forecast	Q3 2019 YTD Actuals
Annual production (boe/d)	**1,400 - 1,500**	943
Light oil weighting (%)	**99**	100
Royalty rate (%)	**8**	7
Operating and transportation costs ($/boe)	**13.00**	21.27
Net operating income ($ millions)	**27**	11.3
Capital expenditures ($ millions)	**18**	11.8
Planned wells	**6**	3

The variance in year to date production, operating and transportation costs and net operating income to the 2019 forecast is mainly due to changes in the timing of the Tableland drills due to decreased commodity prices. These drills were all originally forecasted to be drilled in the first quarter of 2019. As at September 30, 2019, Gear has drilled three wells in the area with two of those wells drilled in the first quarter and one well drilled at the end of the second quarter. The 2019 capital plan includes two more wells to be drilled in Tableland in the fourth quarter. All other amounts forecasted are in line with actual year to date results.

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; Gear's expectations of commodity prices and differentials and trends affecting such commodity prices and differentials; 2019 Guidance estimates including expected average 2019 production, expected commodity weightings, royalty rate expectations, cost expectations, interest expense expectations and expected capital and abandonment expenditures; the expected details of Gear's fourth quarter capital expenditure program; current expectations with respect to Gear's 2019 capital expenditure program including expected drilling, completion and on production timing for wells drilled and to be drilled in 2018; projections of future abandonment and reclamation costs; Gear's intent that for the remainder of 2019 capital and abandonment spending will approximate funds from operations; Gear's expectation that Gear's net debt will remain relatively unchanged throughout 2019; the expectation that future capital programs will be financed with funds from operations and existing credit capacity; the expectation Gear's current capital program is to be financed primarily through funds from operations; Gear's expectation that any major acquisitions would be financed by a combination of equity and debt in a cost-effective manner; Gear's expectations with respect to the effect that various environmental regulations may have on its operations; and the expectation that future funds from operations generated from certain sources 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.

Initial and Other Production Rates

Any references in this document to initial production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells or other future wells will continue production and decline thereafter. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. In addition, Gear has disclosed the cumulative production of wells on certain Gear properties; there is no certainty that other wells on such properties will achieve such production levels. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for Gear.

QUARTERLY HISTORICAL REVIEW

	2019			2018				2017
(Cdn$ thousands, except per share, share, and per boe amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
FINANCIAL								
Sales of crude oil, natural gas and NGLs	32,459	37,297	31,837	17,408	33,334	33,674	24,900	30,047
Funds from operations (1)	15,968	17,104	15,032	2,089	11,578	13,674	8,078	14,613
Per weighted average basic share	0.07	0.08	0.07	0.01	0.06	0.07	0.04	0.07
Per weighted average diluted share	0.07	0.07	0.07	0.01	0.05	0.07	0.04	0.07
Cash flows from operating activities	13,613	18,881	5,981	1,538	16,831	8,596	14,787	9,964
Per weighted average basic share	0.06	0.09	0.03	0.01	0.08	0.04	0.08	0.05
Per weighted average diluted share	0.06	0.08	0.03	0.01	0.08	0.04	0.08	0.05
Net income (loss)	3,493	5,684	(6,812)	10,553	706	(1,869)	(4,294)	6,947
Per weighted average basic share	0.02	0.03	(0.03)	0.05	-	(0.01)	(0.02)	0.04
Per weighted average diluted share	0.02	0.02	(0.03)	0.05	-	(0.01)	(0.02)	0.03
Capital expenditures	11,800	3,334	9,252	9,482	18,749	6,385	9,243	12,307
Decommissioning liabilities settled	1,170	474	399	1,401	318	373	889	1,260
Net acquisitions (dispositions) (2)	115	(162)	(1,038)	302	65,470	10	390	14
Net debt (1) (3)	69,837	72,127	85,740	91,908	83,733	38,960	45,330	43,269
Weighted average shares outstanding, basic (thousands)	219,084	219,093	219,016	219,013	198,826	195,045	194,968	194,968
Weighted average shares outstanding, diluted (thousands)	234,646	234,780	219,016	234,794	217,426	195,045	194,968	211,310
Shares outstanding, end of period (thousands)	218,873	219,093	219,044	219,015	218,776	195,213	194,968	194,968
OPERATING								
Production								
Heavy oil (bbl/d)	3,929	4,104	4,148	4,064	4,484	4,774	4,231	4,760
Light and medium oil (bbl/d)	2,059	2,166	1,863	1,834	1,228	1,232	1,197	1,161
Natural gas liquids (bbl/d)	218	228	235	267	268	219	223	242
Natural gas (mcf/d)	4,295	3,977	3,787	4,091	4,609	4,806	5,229	5,566
Total (boe/d)	6,922	7,161	6,877	6,847	6,748	7,025	6,522	7,090
Average prices								
Heavy oil ($/bbl)	52.93	60.45	52.89	22.45	56.79	55.04	42.97	49.18
Light and medium oil ($/bbl)	65.88	71.60	63.64	46.68	76.57	75.67	64.53	64.71
Natural gas liquids ($/bbl)	26.70	13.11	26.40	23.95	35.02	40.51	39.74	27.79
Natural gas ($/mcf)	0.79	0.92	2.40	1.45	0.93	1.08	1.66	1.90
Selected financial results ($/boe)								
Commodity and other sales	50.97	57.23	51.44	27.64	53.70	52.67	42.42	46.06
Royalties	(6.06)	(6.87)	(4.33)	(3.44)	(7.33)	(5.06)	(4.95)	(4.15)
Operating costs	(17.20)	(18.08)	(18.73)	(17.13)	(17.69)	(17.16)	(15.83)	(16.03)
Operating netback (1)	27.71	32.28	28.38	7.07	28.68	30.45	21.64	25.88
Realized risk management gain (loss)	0.80	(1.65)	(0.16)	(0.90)	(6.55)	(5.55)	(4.15)	(0.73)
General and administrative	(2.03)	(2.47)	(2.04)	(1.18)	(1.81)	(2.55)	(2.83)	(1.92)
Interest	(1.52)	(1.90)	(1.88)	(1.50)	(1.05)	(0.93)	(0.92)	(0.83)
Transaction costs and gain (loss) on foreign exchange	0.11	(0.01)	(0.01)	(0.17)	(0.62)	(0.02)	0.02	-

(1) Funds from operations, net debt and operating netback are non-GAAP measures and additional information with respect to these measures can be found under the heading "*Non-GAAP Measures*".
(2) Net acquisitions (dispositions) 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, Canadian Light Sweet 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.

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