FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Cdn$ thousands, except per share, share and per boe amounts)	Three months ended **Dec 31, 2019**	 Dec 31, 2018	 Sep 30, 2019	Twelve months ended **Dec 31, 2019**	 Dec 31, 2018
FINANCIAL					
Funds from operations (1)	**13,738**	2,089	15,968	**61,842**	35,418
Per boe	**21.68**	3.32	25.07	**24.34**	14.28
Per weighted average basic share	**0.06**	0.01	0.07	**0.28**	0.18
Cash flows from operating activities	**11,401**	1,538	13,613	**49,876**	41,752
Net (loss) income	**(8,045)**	10,553	3,493	**(5,680)**	5,094
Per weighted average basic share	**(0.04)**	0.05	0.02	**(0.03)**	0.03
Capital expenditures	**12,603**	9,482	11,800	**36,989**	43,859
Decommissioning liabilities settled	**889**	1,401	1,170	**2,932**	2,981
Net acquisitions (dispositions) (2)	**109**	302	115	**(976)**	66,172
Net debt (1)(3)	**69,752**	91,908	69,837	**69,752**	91,908
Weighted average shares, basic (thousands)	**218,365**	219,013	219,084	**218,887**	202,020
Shares outstanding, end of period (thousands)	**217,610**	219,015	218,873	**217,610**	219,015
OPERATING					
Production					
Heavy oil (bbl/d)	**4,034**	4,064	3,929	**4,053**	4,388
Light and medium oil (bbl/d)	**1,763**	1,834	2,059	**1,963**	1,374
Natural gas liquids (bbl/d)	**269**	267	218	**238**	244
Natural gas (mcf/d)	**4,935**	4,091	4,295	**4,252**	4,680
Total (boe/d)	**6,888**	6,847	6,922	**6,962**	6,786
Average prices					
Heavy oil ($/bbl)	**49.17**	22.45	52.93	**53.87**	45.01
Light and medium oil ($/bbl)	**64.82**	46.68	65.88	**66.69**	63.73
Natural gas liquids ($/bbl)	**22.79**	23.95	26.70	**22.26**	34.26
Natural gas ($/mcf)	**2.36**	1.45	0.79	**1.63**	1.29
Netback ($/boe)					
Commodity and other sales	**47.97**	27.64	50.97	**51.94**	44.13
Royalties	**(5.52)**	(3.44)	(6.06)	**(5.71)**	(5.19)
Operating costs	**(17.93)**	(17.13)	(17.20)	**(17.98)**	(16.97)
Operating netback (1)	**24.52**	7.07	27.71	**28.25**	21.97
Realized risk management gain (loss)	**0.58**	(0.90)	0.80	**(0.12)**	(4.29)
General and administrative	**(2.13)**	(1.18)	(2.03)	**(2.17)**	(2.08)
Interest	**(1.30)**	(1.50)	(1.52)	**(1.65)**	(1.10)
Transaction costs	**-**	(0.19)	-	**-**	(0.21)
Realized gain (loss) on foreign exchange	**0.01**	0.02	0.11	**0.03**	(0.01)
TRADING STATISTICS					
($ based on intra-day trading)					
High	**0.48**	1.23	0.60	**0.88**	1.47
Low	**0.26**	0.44	0.41	**0.26**	0.44
Close	**0.46**	0.57	0.47	**0.46**	0.57
Average daily volume (thousands)	**529**	558	406	**418**	592

(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. December 31, 2019 – nil, December 31, 2018 – $4.5 million, September 30, 2019 – $0.7 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 February 19, 2020 and should be read in conjunction with the financial information as at and for the three and twelve months ended December 31, 2019 and the audited Consolidated Financial Statements as at and for the year ended December 31, 2019. The Consolidated Financial 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

KEY PROPERTIES

Heavy Oil

Conventional cold flow heavy oil has been the primary focus for Gear since 2010 with almost all of Gear's production derived from heavy oil for the first six years of operation. In 2016, Gear began to diversify into light oil plays. However, heavy oil still remains a very important part of Gear's business contributing 58 per cent of production for 2019. The primary properties are in Wildmere, Alberta and Paradise Hill, Saskatchewan. In 2019, Gear drilled 10 horizontal multi-lateral heavy oil wells in Wildmere and Maidstone. For 2020, Gear plans to drill 17 horizontal heavy oil wells; 10 in Paradise Hill, Saskatchewan, four in Wildmere, Alberta, two in Lindbergh, Alberta, and one in Bronson, Saskatchewan.

Light Oil - Central Alberta

In 2016, Gear acquired Striker Exploration Corp. adding light and medium oil assets in Central Alberta to its portfolio. After successfully drilling Belly River and Cardium light oil wells in 2017 and 2018, Gear focused efforts in 2019 on expanding and optimizing waterflood initiatives in Wilson Creek and Killam. Gear will be expanding its waterflood initiatives further into 2020. In addition, Gear drilled one light oil well in Wilson Creek during 2019. For 2020, Gear expects to drill four light and medium oil wells in Western Alberta; two in Wilson Creek, one in Provost and one in Killam.

Light Oil - Southeast Saskatchewan

In 2018, Gear acquired Steppe Resources Inc. ("Steppe Acquisition") which added a third core area to the portfolio with light oil assets in Tableland, Southeast Saskatchewan. In 2019, Gear drilled five light oil wells in Tableland. Sales associated with the Tableland area are sold on the Light Sour Blend oil index which has allowed Gear to diversify its pricing exposure as well as egress. Five wells are expected to be drilled in Tableland in 2020.

2020 GUIDANCE

Gear's 2020 capital budget (including abandonments) is currently forecast to be $50 million, with approximately 75 per cent of the capital focused on drilling 26 locations (25.2 net), 13 per cent invested in continued waterflood expansions, recompletions, workovers and field facility projects, seven per cent directed to abandonment and reclamation activities and five per cent directed towards land, seismic and other corporate costs.

The Gear team intends to remain flexible and opportunistic with regards to this capital plan, keeping a close eye on the commodity market and being prepared to expand or reduce investments if pricing or physical egress changes materially.

Table 1 summarizes Gear's 2020 guidance and 2019 guidance compared to 2019 actual results:

Table 1

	2020 Guidance (1)	2019 Guidance (2)	2019 Actuals
Average production (boe/d)	**7,000**	6,900 – 7,100	6,962
Heavy oil weighting (%)	**57**	59	58
Light/medium oil and NGLs weighting (%)	**33**	32	32
Fourth quarter production (boe/d)	**>7,400**	-	-
Fourth quarter light/medium oil and NGLs weighting (%)	**37**	-	-
Royalty rate (%)	**11**	11	11
Operating and transportation costs ($/boe)	**18.00**	18.00	17.98
General and administrative expense ($/boe)	**2.35**	2.00	2.17
Interest expense ($/boe)	**1.35**	1.50	1.65
Capital expenditures ($ millions)	**46.5**	37.5	37.0
Abandonment expenditures ($ millions)	**3.5**	3.0	2.9

(1) 2020 Guidance was originally provided in Gear's press release dated December 18, 2019 entitled "Gear Energy Ltd. Provides 2020 Budget Guidance".

(2) 2019 Guidance was provided in Gear's press release dated November 6, 2019 entitled "Gear Energy Ltd. Announces Third Quarter 2019 Operating Results" and in Gear's MD&A for the third quarter of 2019.

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				Twelve months ended		
	Dec 31, 2019	Dec 31, 2018	% Change	Sep 30, 2019	**Dec 31, 2019**	Dec 31, 2018	% Change
Funds from operations per debt adjusted share (1)	**0.037**	0.005	640	0.044	**0.155**	0.107	45
Cash flows from operating activities per debt adjusted share (1)	**0.031**	0.004	675	0.037	**0.125**	0.126	(1)
Production, boepd per debt adjusted thousand shares (1)	**0.018**	0.018	-	0.019	**0.017**	0.020	(15)

(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 measures under the heading "*Non-GAAP Measures*".

2019 FOURTH QUARTER AND FULL YEAR FINANCIAL AND OPERATIONAL RESULTS

Funds from operations

Funds from operations increased from $2.1 million and $3.32 per boe in the fourth quarter of 2018 to $13.7 million and $21.68 per boe in the fourth quarter of 2019. The increase in fourth quarter funds from operations is mainly the result of increased commodity prices, higher production volumes, realized gain on risk management contracts, and decreased interest and transaction costs, partially offset by increased royalties, operating expenses, general and administrative costs and decreased realized gain on foreign exchange.

On an annual basis, funds from operations increased from $35.4 million and $14.28 per boe in 2018 to $61.8 million and $24.34 per boe in 2019. This year-over-year increase is mainly the result of increased commodity prices, higher production volumes, decreased realized loss on risk management contracts, decreased transaction costs and increased realized gain on foreign exchange, partially offset by increased royalties, operating expenses, interest and general and administrative costs.

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

Table 3

	Three months ended Dec 31		Twelve months ended Dec 31	
	$ thousands	$/boe	$ thousands	$/boe
2018 Funds from operations (1)	2,089	3.32	35,418	14.28
Volume variance	105	-	2,825	-
Price variance	12,883	20.33	19,848	7.81
Realized gain/ loss on risk management contracts	933	1.48	10,319	4.17
Royalties	(1,333)	(2.08)	(1,655)	(0.52)
Expenses:				
Operating	(573)	(0.80)	(3,658)	(1.01)
General and administrative	(605)	(0.95)	(354)	(0.09)
Interest	123	0.20	(1,458)	(0.55)
Transaction costs	119	0.19	507	0.21
Realized gain on foreign exchange	(3)	(0.01)	50	0.04
2019 Funds from operations (1)	13,738	21.68	61,842	24.34

(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 increased from $1.5 million and $2.44 per boe in the fourth quarter of 2018 to $11.4 million and $17.99 per boe in the fourth quarter of 2019. The increase in fourth quarter funds from operations is mainly the result of increased commodity prices, higher production volumes, realized gain on risk management contracts, decreased interest and transaction costs and decreased decommissioning liabilities settled, partially offset by increased royalties, operating expenses, general and administrative costs, decreased realized gain on foreign exchange and decrease in non-cash working capital.

On an annual basis, cash flows from operating activities increased from $41.8 million and $16.86 per boe in 2018 to $49.9 million and $19.63 per boe in 2019. This year-over-year increase is mainly the result of increased commodity prices, higher production volumes, decreased realized loss on risk management contracts, decreased transaction costs, increased realized gain on foreign exchange and decreased decommissioning liabilities settled, partially offset by increased royalties, operating expenses, interest and general and administrative costs and decrease in non-cash working capital.

Net income

Gear generated net losses of $8.0 million and $5.7 million for the three and twelve months ended December 31, 2019, respectively. This compares to net income of $10.6 million and $5.1 million for the same periods in 2018. The changes in net loss and net income are due to several factors discussed below.

Production

Production volumes averaged 6,888 boe per day in the fourth quarter of 2019 compared to 6,847 boe per day in the same period of 2018. Gear's strategy in 2019 was to deploy capital to the extent required to maintain production, with excess cash flow being directed primarily towards debt repayment and share buybacks. During the year Gear drilled 16 net wells. New production from these wells combined with full year production from wells drilled as part of the 2018 capital program offset by natural declines resulted in a modest one per cent increase in fourth quarter production.

Full year 2019 production averaged 6,962 boe per day, an increase of three per cent when compared to 6,786 boe per day in 2018. The increase in production is due the inclusion of properties acquired through the Steppe Acquisition for the full year, new production from Gear's 2018 and 2019 capital programs and sales from inventory, offset by natural declines. Although Gear's total liquids weighting remained relatively constant from 2018 to 2019, the percentage of light and medium oil and natural gas liquids increased from 24 per cent in 2018 to 32 per cent in 2019, and the heavy oil weighting dropped from 65 per cent to 58 percent during the same period.

Table 4

Production	Three months ended Dec 31, 2019	Dec 31, 2018	% Change	Sep 30, 2019	Twelve months ended Dec 31, 2019	Dec 31, 2018	% Change
Liquids (bbl/d)							
Heavy oil (bbl/d)	**4,034**	4,064	(1)	3,929	**4,053**	4,388	(8)
Light and medium oil (bbl/d)	**1,763**	1,834	(4)	2,059	**1,963**	1,374	43
Natural gas liquids (bbl/d)	**269**	267	1	218	**238**	244	(2)
Total liquids (bbl/d)	**6,066**	6,165	(2)	6,206	**6,254**	6,006	4
Natural gas (mcf/d)	**4,935**	4,091	21	4,295	**4,252**	4,680	(9)
Total production (boe/d) (1)	**6,888**	6,847	1	6,922	**6,962**	6,786	3
% Liquids production	**88**	90	(2)	90	**90**	89	1
% Natural gas production	**12**	10	20	10	**10**	11	(9)

(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 three months ended December 31, 2019 were $30.4 million, a 75 per cent increase compared to $17.4 million for the same period in 2018. This increase was the result of higher realized commodity prices.

For the twelve months ended December 31, 2019, sales of crude oil, natural gas and natural gas liquids were $132.0 million, an increase of 21 per cent compared to $109.3 million for 2018. This increase is the result of higher realized commodity prices and higher production volumes.

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

Table 5

Sales by product ($ thousands)	Three months ended Dec 31, 2019	Dec 31, 2018	% Change	Sep 30, 2019	Twelve months ended Dec 31, 2019	Dec 31, 2018	% Change
Heavy oil	**18,247**	8,394	117	19,132	**79,751**	72,102	11
Light and medium oil	**10,513**	7,878	33	12,479	**47,774**	31,961	49
Natural gas liquids	**564**	589	(4)	535	**1,930**	3,055	(37)
Natural gas	**1,072**	547	96	313	**2,534**	2,198	15
Total revenue	**30,396**	17,408	75	32,459	**131,989**	109,316	21

Commodity Prices

During the fourth quarter of 2019, US denominated WTI prices decreased by three per cent over the same period in 2018, the WCS differential narrowed from US$39.41 per barrel to US$15.83 per barrel, the Canadian Light Sweet differential narrowed from US$26.27 per barrel to US$5.37 per barrel and the LSB differential narrowed from US$14.73 per barrel to US$5.38 per barrel. These pricing movements resulted in an increase in Gear's realized pricing from $27.64 per boe in the fourth quarter of 2018 to $47.97 per boe in the fourth quarter of 2019.

On an annual basis, US denominated WTI decreased by 12 per cent in 2019 compared to 2018, the WCS differential narrowed from US$26.44 per barrel to US$12.76 per barrel, the Canadian Light Sweet differential narrowed from US$11.44 per barrel to US$4.88 per barrel and the LSB differential narrowed from US$7.16 per barrel to US$4.53 per barrel. These pricing movements resulted in an increase in Gear's realized pricing from $44.13 per boe in 2018 to $51.94 per boe in 2019.

Table 6

Average Benchmark Prices	Three months ended Dec 31, 2019	 Dec 31, 2018	 % Change	 Sep 30, 2019	Twelve months ended Dec 31, 2019	 Dec 31, 2018	 % Change
WTI oil (US$/bbl) (1)	**56.96**	58.81	(3)	56.45	**57.03**	64.77	(12)
WCS heavy oil (Cdn$/bbl) (2)	**54.29**	25.61	112	58.39	**58.74**	49.83	18
Canadian Light Sweet (3) (Cdn$/bbl)	**68.10**	42.95	59	68.40	**69.20**	69.33	-
LSB (Cdn$/bbl) (4)	**68.08**	58.18	17	68.69	**69.66**	74.89	(7)
AECO natural gas ($/mcf) (5)	**2.48**	1.71	45	0.90	**1.75**	1.45	21
Cdn$ / US$ exchange rate	**1.32**	1.32	-	1.32	**1.33**	1.30	2
Gear Realized Prices							
Heavy oil ($/bbl)	**49.17**	22.45	119	52.93	**53.87**	45.01	20
Light and medium oil ($/bbl)	**64.82**	46.68	39	65.88	**66.69**	63.73	5
Natural gas liquids ($/bbl)	**22.79**	23.95	(5)	26.70	**22.26**	34.26	(35)
Natural gas ($/mcf)	**2.36**	1.45	63	0.79	**1.63**	1.29	26
Weighted average, before risk management contracts ($/boe)	**47.97**	27.64	74	50.97	**51.94**	44.13	18
Realized risk management gain (loss) ($/boe)	**0.58**	(0.90)	-	0.80	**(0.12)**	(4.29)	(97)
Weighted average, after risk management contracts ($/boe)	**48.55**	26.74	82	51.77	**51.82**	39.84	30

(1) WTI represents the 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) LSB represents the Light Sour Blend oil index for Gear's Southeast Saskatchewan light oil.
(5) Represents the AECO 5a monthly index.

Looking forward to 2020, commodity prices are expected to remain volatile. Forward pricing on WTI has weakened dramatically in response to the coronavirus outbreak in China as there is uncertainty around Chinese future demand for oil. At the time of writing, the 2020 forecast WTI has weakened averaging US$53.84. The WCS, Canadian Light Sweet and LSB differentials are forecasted at US$17.75, US$6.04 and US$6.84, respectively. Slightly offsetting these reductions, Gear is expecting a smaller quality differential for its heavy oil as a result of new sales contracts in place for the year.

Royalties

Royalties as a percentage of commodity sales in the fourth quarter of 2019 represented 11.5 per cent compared to 12.4 per cent in the fourth quarter of 2018. For the year ended December 31, 2019 royalties represented 11.0 per cent of commodity sales as compared to 11.8 per cent in 2018. These decreases in royalties as a percentage of commodity sales were mainly due to the inclusion of properties acquired through the Steppe Acquisition for the full 2019 year 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 Dec 31, 2019	 Dec 31, 2018	 % Change	 Sep 30, 2019	Twelve months ended Dec 31, 2019	 Dec 31, 2018	 % Change
Royalty expense	**3,497**	2,164	62	3,861	**14,513**	12,858	13
Royalty expense as a % of Sales	**11.5**	12.4	(7)	11.9	**11.0**	11.8	(7)
Royalty expense per boe	**5.52**	3.44	60	6.06	**5.71**	5.19	10

Operating and Transportation Costs

Operating costs plus transportation for the three months ended December 31, 2019 were $17.93 per boe, an increase of five per cent compared to $17.13 per boe for the same period in 2018. For 2019 the annual operating costs plus transportation increased six per cent from $16.97 per boe in 2018 to $17.98 per boe. These increases are mainly due to increases in maintenance and well servicing costs in 2019 and the inclusion of operating costs associated with properties acquired pursuant to the Steppe Acquisition in the third quarter of 2018.

Table 8 below summarizes the operating and transportation expense:

Table 8

Operating and Transportation expense ($ thousands except per boe)	Three months ended **Dec 31, 2019**	Dec 31, 2018	% Change	Sep 30, 2019	Twelve months ended **Dec 31, 2019**	Dec 31, 2018	% Change
Operating expense	**9,992**	9,422	6	9,617	**40,090**	37,016	8
Transportation expense	**1,371**	1,368	-	1,339	**5,601**	5,017	12
Operating and transportation expense	**11,363**	10,790	5	10,956	**45,691**	42,033	9
Operating expense per boe	**15.77**	14.96	5	15.10	**15.78**	14.94	6
Transportation expense per boe	**2.16**	2.17	-	2.10	**2.20**	2.03	8
Operating and transportation expense per boe	**17.93**	17.13	5	17.20	**17.98**	16.97	6

Operating Netback
Gear's operating netback in the fourth quarter of 2019 was $24.52 per boe, an increase of 247 per cent compared to $7.07 per boe in the fourth quarter of 2018. For the full year, Gear's operating netback was $28.25 per boe, an increase of 29 per cent compared to $21.97 per boe in 2018. These increases in operating netback are the result of increased commodity prices, partially offset by increases in per boe royalty and operating costs.

The components of operating netbacks are summarized in Table 9:

Table 9

Netbacks ($ per boe)	Three months ended **Dec 31, 2019**	Dec 31, 2018	% Change	Sep 30, 2019	Twelve months ended **Dec 31, 2019**	Dec 31, 2018	% Change
Total sales	**47.97**	27.64	74	50.97	**51.94**	44.13	18
Royalties	**(5.52)**	(3.44)	60	(6.06)	**(5.71)**	(5.19)	10
Operating costs	**(17.93)**	(17.13)	5	(17.20)	**(17.98)**	(16.97)	6
Operating Netback	**24.52**	7.07	247	27.71	**28.25**	21.97	29

General and Administrative ("G&A") Expenses, Transaction costs and Share-based compensation ("SBC")
For the three months ended December 31, 2019, G&A expenses totaled $1.4 million, representing an increase from $0.7 million for the same period in 2018. For the full year, G&A expenses increased seven per cent from $5.2 million in 2018 to $5.5 million in 2019. These increases are primarily due to fluctuations in estimated incentive compensation. G&A on a per boe basis increased from $1.18 per boe in the fourth quarter of 2018 to $2.13 per boe in the fourth quarter of 2019. For the twelve months ended December 31, 2019, G&A on a per boe basis increased four per cent.

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

Table 10

G&A, Transaction costs and SBC expense ($ thousands except per boe)	Three months ended **Dec 31, 2019**	Dec 31, 2018	% Change	Sep 30, 2019	Twelve months ended **Dec 31, 2019**	Dec 31, 2018	% Change
G&A, before recoveries and capitalized G&A	**1,705**	1,242	37	1,844	**7,363**	7,368	-
Overhead recoveries	**(63)**	(164)	(62)	(145)	**(434)**	(637)	(32)
Capitalized G&A	**(292)**	(333)	(12)	(408)	**(1,412)**	(1,568)	(10)
G&A	**1,350**	745	81	1,291	**5,517**	5,163	7
Transaction costs	**-**	119	(100)	-	**7**	514	(99)
SBC expense	**145**	230	(37)	77	**652**	1,076	(39)
G&A per boe	**2.13**	1.18	81	2.03	**2.17**	2.08	4
Transaction costs per boe	**-**	0.19	(100)	-	**-**	0.21	(100)
SBC expense per boe	**0.23**	0.37	(38)	0.12	**0.26**	0.43	(40)

Transaction costs incurred relating to the Steppe Acquisition were $0.1 million and $0.5 million for the three and twelve months ended December 31, 2018, respectively. Transaction costs include amounts relating to legal, accounting fees and other acquisition related costs.

Gear's stock option plan provides for the grant of options to purchase common shares of Gear to directors, officers, employees and consultants of Gear. In the third quarter of 2016, the Board of Directors of Gear determined that future grants of options under the option plan would vest as to one third on each of the first, second and third anniversary dates of the date of grant and expire 30 business days after such vesting dates. The terms of options outstanding prior to the determination by the Gear Board of Directors of the new terms remained unchanged and had the same vesting terms as the new terms but had a five year expiry.

SBC is related to the granting of stock options. There were 8.0 million options granted during 2019 at an average price of $0.44, 0.5 million options exercised at an average exercise price of $0.72, 5.1 million options expired at an average exercise price of $1.92 and 1.2 million options forfeited with an average exercise price of $0.85. As at December 31, 2019, a total of 15.3 million options were outstanding representing approximately 7.0 per cent of the 217.6 million total common shares outstanding. Subsequent to December 31, 2019, 0.3 million options expired, leaving a balance of 15.0 million options outstanding as at the date of this MD&A. For further information on Gear's stock options, see the notes to the audited Consolidated Financial Statements.

Interest and financing charges

Interest and financing charges totaled $0.8 million for the fourth quarter, a 13 per cent decrease from $0.9 million for the same period in 2018. On an annual basis, interest and financing charges increased 53 per cent from $2.7 million in 2018 to $4.2 million in 2019 as a result of higher average debt levels due primarily to the assumption of $36.3 million of bank debt in conjunction with the Steppe Acquisition. Gear's borrowing costs, inclusive of financing charges and standby fees on its Credit Facilities (as defined below), approximated 4.7 per cent in 2019 compared to 4.5 per cent in 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				Twelve months ended		
($ thousands except per boe)	**Dec 31, 2019**	Dec 31, 2018	% Change	Sep 30, 2019	**Dec 31, 2019**	Dec 31, 2018	% Change
Interest expense	**760**	877	(13)	899	**3,917**	2,371	65
Financing charges	**34**	18	89	34	**111**	218	(49)
Standby fees	**27**	49	(45)	33	**158**	139	14
Interest and financing charges	**821**	944	(13)	966	**4,186**	2,728	53
Interest and financing charges per boe	**1.30**	1.50	(13)	1.52	**1.65**	1.10	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 2020 risk management program is essentially complete and is comprised of collars and swap contracts. For 2020, Gear has 3,200 barrels of oil per day hedged with an average WTI floor price of C$67.10 and an average WTI ceiling of C$80.74.

Upon the completion of the Steppe Acquisition in September 2018, Gear acquired several WTI CAD swap contracts. The risk management liability of these contracts was $6.2 million at the acquisition date, $4.5 million at December 31, 2018 and nil at December 31, 2019. Changes in fair value of these acquired risk management contracts from the acquisition date fair value were realized in Gear's Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. Gear incurred a realized loss on risk management contracts of $0.3 million in 2019 compared to a realized loss of $10.6 million 2018.

Table 12 summarizes Gear's hedged volumes as at December 31, 2019:

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**
Jan 1, 2020	Dec 31, 2020	Collar	CAD	700	-	94.00	65.00	-
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
Jul 1, 2020	Dec 31, 2020	Three-way Collar	CAD	1,250	-	81.00	65.00	55.00

Financial Foreign Exchange Contracts					
Term		Contract	Currency	Amount	Forward Rate
				$ thousands	CAD/USD
Jan 1, 2020	Jan 24, 2020	Swap	USD	U$13,159	1.3310
Jan 1, 2020	Jan 24, 2020	Swap	USD	U$8,773	1.3318

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

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

DD&A during the fourth quarter of 2019 was $19.87 per boe compared to $18.98 per boe in the same period in 2018. On an annual basis Gear's DD&A rate increased 16 per cent from $17.01 per boe in 2018 to $19.81 per boe in 2019. These increases in the DD&A rate are due to the Steppe Acquisition in the third quarter of 2018, with the acquired properties in Tableland carrying a higher finding and development cost.

Table 13 is a breakdown of DD&A expenses:

Table 13

DD&A Rate	Three Months Ended				Twelve Months Ended		
($ thousands except per boe)	**Dec 31, 2019**	Dec 31, 2018	% Change	Sep 30, 2019	**Dec 31, 2019**	Dec 31, 2018	% Change
DD&A	**12,591**	11,959	5	12,771	**50,339**	42,142	19
DD&A rate per boe	**19.87**	18.98	5	20.05	**19.81**	17.01	16

Taxes

For the three and twelve months ended December 31, 2019, deferred tax expense of $2.6 million and $3.3 million was recorded. Gear has evaluated the ultimate utilization of existing tax pools, which supports the $23.3 million deferred income tax asset recognized as at December 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 December 31, 2019 Gear's estimated tax pools were $611.1 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 $12.7 million for the three months ended December 31, 2019 as compared to $9.8 million in the same period of 2018. During the fourth quarter of 2019 Gear drilled five gross (five net) wells; two heavy oil wells in Wildmere, one heavy oil well in Maidstone and two light oil wells in Tableland.

For the full year in 2019, capital expenditures, including acquisition and disposition activity, was $36.0 million compared to $110.0 million in 2018. During 2018, Gear closed the previously mentioned Steppe Acquisition. Gear's 2019 capital program of 16 gross (16 net) wells included 10 heavy oil wells (10 net): eight in Wildmere and two in Maidstone; and six light oil wells (six net): five in Tableland and one in Wilson Creek. The 10 well heavy oil program met expectations by delivering an average peak IP30 rate per well of approximately 110 barrels per day. The first three wells in Tableland included two core area wells that delivered peak IP30 rates of approximately 200 and 300 barrels per day and a step out well with a peak IP30 rate closer to 150 barrels per day. The final two wells in Tableland continue to be optimized with peak IP30 rates to date of approximately 190 and 130 barrels per day. During the year Gear also directed capital spending to expand its gas gathering system fuel pipeline in Paradise Hill to help reduce greenhouse gas emissions, shot seismic in Wilson Creek and Wildmere and received net proceeds of $1.1 million relating to non-core land and property dispositions.

Capital costs relating primarily to Gear's heavy oil drilling in Wildmere were lower than originally planned due to improved well design and shorter drill times and as such capital expenditures for the year have come in slightly under guidance.

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

Table 14

Capital expenditures	Three Months Ended				Twelve Months Ended		
($ thousands)	**Dec 31, 2019**	Dec 31, 2018	% Change	Sep 30, 2019	**Dec 31, 2019**	Dec 31, 2018	% Change
Drilling and completions	**9,357**	5,656	65	9,472	**27,231**	28,519	(5)
Production equipment and facilities	**3,108**	3,735	(17)	2,305	**8,874**	12,129	(27)
Geological and geophysical	**63**	17	271	4	**698**	388	80
Undeveloped land purchased at crown land sales	**26**	17	53	15	**112**	2,734	(96)
Other	**49**	57	(14)	4	**74**	89	(17)
Total capital expenditures	**12,603**	9,482	33	11,800	**36,989**	43,859	(16)
Property acquisitions and dispositions, net (1)	**109**	302	(64)	115	**(976)**	66,172	-
Total capital expenditures and net acquisitions and dispositions	**12,712**	9,784	30	11,915	**36,013**	110,031	(67)

(1) Includes post-closing adjustments.

Decommissioning Liability

Gear recorded a decommissioning liability of $85.7 million at December 31, 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 in order to calculate the undiscounted total future liability. The liability has been inflated at 1.76 per cent (December 31, 2018 – 2.00 per cent) and discounted using a risk-free rate of 1.76 per cent (December 31, 2018 – 2.18 per cent). Some of the abandonment cost estimates are derived from third party government sources and can fluctuate from time to time. The decrease in total liability is the result of a decrease in the inflation rate as well as a decrease in cost assumptions for Gear's heavy oil properties based on actual per well costs incurred on current year abandonments in the area.

Ongoing abandonment expenditures for all of Gear's assets are financed by funds from operations with $2.9 million of decommissioning liabilities settled in 2019 (2018 – $3.0 million). During 2019, Gear abandoned 77 wells at an average cost that was approximately half of what was estimated by the provincial regulators. Gear abandoned 4.8 times the number of wells that were drilled during the year. The 2020 abandonment program will be dominated by an area-based closure in the Wildmere area and includes the abandonment and reclamation of approximately 64 wells at an expected cost of $2.8 million. As at December 31, 2019 Gear's Licensee Liability Rating in Alberta was 1.6 times and 5.0 times in Saskatchewan with a total corporate Licensee Liability Rating of 2.1.

Capitalization, Financial Resources and Liquidity

A breakdown of Gear's capital structure is outlined in Table 15:

Table 15

Debt ($ thousands except ratio amounts)	**Dec 31, 2019**	Dec 31, 2018
Net debt (1)	**69,752**	91,908
Net debt to funds from operations (1)	**1.1**	2.6
Net debt to quarterly annualized funds from operations (1)	**1.3**	11.1
Common shares outstanding	**217,610**	219,015

(1) Net debt, net debt to funds from operations 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 $22.2 million or 24 per cent from $91.9 million at December 31, 2018 to $69.8 million at December 31, 2019 as funds from operations exceeded spending on capital and abandonments. For the fourth quarter of 2019, capital and abandonment spending and spending on equity repurchases pursuant to its Normal Course Issuer Bid ("NCIB") approximated funds from operations and, as such, Gear's net debt remained relatively unchanged from September 30, 2019.

Credit Facilities

At December 31, 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 Senior 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. The next semi-annual borrowing base review of the facilities will occur on or about May 31, 2020. As at December 31, 2019 Gear had $64.3 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 $24.9 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 December 31, 2019 Gear was in compliance with its non-financial and financial covenants. As at December 31, 2019 Gear had an adjusted working capital ratio of 1.6.

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. These Convertible Debentures carry an equity conversion feature which was subject to shareholder approval. Gear received shareholder approval for conversion of the Convertible Debentures at its annual and special meeting of shareholders on May 11, 2016. 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 on or after December 31, 2019, at a redemption price equal to the principal amount plus accrued and unpaid interest up to the date of redemption.

As at December 31, 2019 and the date of this MD&A $13.2 million of Convertible Debentures were outstanding compared to $13.3 million at December 31, 2018. In 2019, $0.1 million of Convertible Debentures were converted resulting in the issuance of approximately 0.1 million Gear common shares. An aggregate of up to 15.2 million additional Gear common shares may be issued on conversion of the Convertible Debentures that remain outstanding at the date hereof.

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 10 "Convertible Debentures" in the notes to the audited Consolidated Financial Statements and the information under "Description of Capital Structure" in Gear's most recent annual information form, which is available on SEDAR at www.sedar.com

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 independent reserves 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. For the year ended December 31, 2019, 1.6 million common shares with an aggregate value of $0.7 million were repurchased.

On December 31, 2019 and December 31, 2018, Gear had 217.6 million and 219.0 million common shares outstanding, respectively. Throughout 2019, 1.6 million common shares were repurchased for cancellation and 0.1 million shares were issued on the conversion of Convertible Debentures. As at the date of this MD&A, Gear had 216.7 million common shares outstanding, with 0.9 million common shares repurchased for cancellation subsequent to December 31, 2019 at an average cost of $0.47 per share pursuant to the NCIB.

As at December 31, 2019, a total of 15.3 million options were outstanding with a weighted average exercise price of $0.73 per share and each option entitled the holder to acquire one Gear common share. Subsequent to December 31, 2019, 0.3 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 unexercised on July 8, 2019.

Environmental, Social, and Governance Initiatives Impacting Gear

Environmental

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.

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. 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. In the last several years, Gear has installed various gas gathering systems in order to conserve gas and reduce methane emissions. Gear has now started focusing on additional plans to reduce fugitive methane emissions. Finally, Gear has submitted its initial emissions reduction five-year plan which has been government approved to which Gear will begin implementation in 2020.

Social

Safety for Gear's workforce including contractors is paramount. Gear hosts monthly safety meetings for its field staff to review all safety protocols. For 2019, Gear had zero recordable injuries and three near miss events. A near miss event is an incident that did not, but had the potential to, result in an injury.

Gear does not have an annual target for donations and believes that its main objective is to generate value creation for its shareholders so that they can, in turn if they so choose to, provide a return to society. Nevertheless, many of Gear's employees regularly contribute both personal resources and time to enhancing communities at home and abroad through various corporate and employee initiatives.

Governance

Gear prides itself on high governance standards. These standards include:

Alignment between management and director compensation to shareholders	Gear conducts an extensive annual compensation benchmarking analysis. Its management team has one of the lowest base salary structures amongst its peers and its incentive compensation structure is based both on a Proved Developing Reserves value creation formula as well as relative share price returns
Full, clear, and truthful disclosure	Gear strives to report its quarterly information on a timely basis in a format that is full and clear. In addition, Gear publishes a monthly President's letter that attempts to deal with current matters that are pertinent to Gear and its business
Board independence	All of Gear's board members, with the exception of Ingram Gillmore, Chief Executive Officer, are independent board members. On an annual basis, an evaluation is completed for all directors

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 Consolidated 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 December 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 July 31, 2025. The total commitment for these lease agreements is $1.7 million. The drilling rig commitment expires December 31, 2020 with a total remaining commitment of $1.0 million. For further information see Note 19 "Commitments and Contingencies" in the notes to the audited Consolidated Financial Statements for the year ended December 31, 2019.

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 funds from operations, 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			Twelve months ended	
($ thousands)	**Dec 31, 2019**	Dec 31, 2018	Sep 30, 2019	**Dec 31, 2019**	Dec 31, 2018
Cash flows from operating activities	**11,401**	1,538	13,613	**49,876**	41,752
Decommissioning liabilities settled	**889**	1,401	1,170	**2,932**	2,981
Change in non-cash working capital	**1,448**	(850)	1,185	**9,034**	(9,315)
Funds from operations	**13,738**	2,089	15,968	**61,842**	35,418

Net Debt

Net debt is a non-GAAP measure defined as debt less current working capital items (excluding Convertible Debentures, 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)	**Dec 31, 2019**	Dec 31, 2018
Debt	**64,254**	78,461
Convertible Debentures (at face value) (1)	**13,204**	13,315
Working capital surplus (2)	**(7,706)**	(4,340)
Risk management contracts (3)	**-**	4,472
Net debt	**69,752**	91,908

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

At December 31, 2019 and December 31, 2018, 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.

Net Debt to Funds from Operations
Net debt to funds from operations is a non-GAAP measure and is defined as net debt divided by the funds from operations for the year. Gear uses net debt to 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 annual results. This measure may not be comparable with the calculation of similar measures for other companies.

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 a certain share price; 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. The Convertible Debentures are assumed to be extinguished in the per debt adjusted share calculations. In previous periods, Gear had used the weighted average share price during the period. Gear has now changed the share price calculation to a ten-day volume weighted average price ending at the end of the period. This share price better captures the actual price that could be theoretically used in the event that shares are hypothetically issued to extinguish outstanding debt. 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			Twelve months ended	
(thousands, except per share amounts)	**Dec 31, 2019**	Dec 31, 2018	Sep 30, 2019	**Dec 31, 2019**	Dec 31, 2018
Weighted average shares	**218,365**	219,013	219,084	**218,887**	202,020
Average share price (1)	**0.45**	0.52	0.48	**0.45**	0.52
Average net debt (2)	**69,795**	87,821	70,982	**80,830**	67,589
Share equivalent on average net debt (3)	**155,100**	168,887	147,879	**179,622**	129,979
Debt adjusted shares	**373,465**	387,900	366,963	**398,509**	331,999

(1) Average share price obtained by a ten-day volume weighted average price ending at the end of the period.
(2) Average net debt obtained by a simple average between opening and ending net debt for the three and twelve months ended.
(3) Share equivalent on average net debt obtained by average net debt divided by average share price for the three and twelve 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, 2019.

Risk Factors

The Gear management team is focused on long-term strategic planning and has identified the key risks, uncertainties and opportunities associated with Gear’s business that can impact the financial results. They include, but are not limited to, the items listed below. In addition to the risks identified below please see the risks outlined in Gear’s most recent annual information form which is available on SEDAR at www.sedar.com.

Prices, Markets and Marketing

Gear’s operational results and financial condition, and therefore the amount of capital expenditures, are dependent on the prices received for oil, natural gas and natural gas liquids (“NGLs”) production. Prices for oil, natural gas and NGLs are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil, natural gas and NGLs, market uncertainty and a variety of additional factors beyond the control of the Company. A material decline in prices could result in a reduction of net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil, natural gas or NGLs and a reduction in the volumes of Gear’s reserves. Management might also elect not to produce from certain wells at lower prices.

Gear’s ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines or rail cars that deliver oil and natural gas to commercial markets. Deliverability uncertainties related to the distance that Gear’s reserves are to pipelines, processing and storage facilities, operational problems affecting pipelines and facilities as well as government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business may also affect the Company.

These factors could result in a material decrease in Gear’s expected net production revenue and a reduction in its oil and natural gas acquisition, development and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Company’s carrying value of its assets and its borrowing capacity, revenues, profitability and funds from operations.

Refinancing

Gear currently has $90.0 million Credit Facilities with a revolving maturity date of May 2020. The lenders review the Credit Facilities each year and determine if they will extend the revolving for another year. In the event that the Credit Facilities are not extended, indebtedness under the Credit Facilities will become repayable at May 28, 2021 (or a year after the end of the revolving period). There is also a risk that the Credit Facilities will not be renewed for the same amount or on the same terms or that the lenders reduce the borrowing base as a result of a regularly scheduled borrowing base review. Any of these events could affect Gear’s ability to fund ongoing operations. The next scheduled review is on or about May 31, 2020.

Operational Matters
Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees. Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, and spills or other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment and personal injury. As is standard industry practice, Gear is not fully insured against all risks, nor are all risks insurable. Although Gear maintains liability insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event, the Company could incur significant costs.

Reserve Estimates
The reserves and recovery information contained in Gear's independent reserves evaluation is only an estimate. The actual production and ultimate reserves from the properties may be greater or less than the estimates prepared by the independent reserves evaluator. The reserves report was prepared using certain commodity price assumptions. If lower prices for crude oil, natural gas and NGLs are realized by Gear and substituted for the price assumptions utilized in those reserves reports, the present value of estimated future net cash flows as well as the amount of the reserves would be reduced and the reduction could be significant.

Acquisitions
The price paid for acquisitions is based on engineering and economic estimates of the potential reserves made by independent engineers modified to reflect the technical views of management. These assessments include a number of material assumptions regarding such factors as recoverability and marketability of oil, natural gas, and NGLs, future prices of oil, natural gas and NGLs, and operating costs, future capital expenditures and royalties and other government levies that will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of management. In particular, changes in the prices of and markets for oil, natural gas and NGLs from those anticipated at the time of making such assessments will affect the value of Gear's shares. In addition, all such estimates involve a measure of geological and engineering uncertainty that could result in lower production and reserves. Actual reserves could vary materially from these estimates.

Royalty Regimes
There can be no assurance that the federal government and the provincial governments of the western provinces will not adopt new royalty regimes or modify the existing royalty regimes which may have an impact on the economics of the Company's projects. An increase in royalties would reduce Gear's earnings and could make future capital investments, or operations, less economic.

Variations in Foreign Exchange Rates and Interest Rates
World commodity prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar negatively affects production revenues. Future Canadian/United States exchange rates could accordingly affect the future value of reserves as determined by independent evaluators.

An increase in interest rates could result in a significant increase in the amount Gear pays to service debt, resulting in a reduced amount available to fund its exploration and development activities.

Third Party Credit Risk
Gear assumes customer credit risk associated with oil and gas sales, financial risk management contracts and joint venture participants. In the event that Gear's counterparties default on payments to Gear, cash flows will be impacted. A diversified customer base is maintained and exposure to individual entities is reviewed on a regular basis.

Environmental
All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Although Gear believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on Gear's business, financial condition, results of operations and prospects.

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 decision in the *Orphan Well Association v Grant Thornton Limited*, 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 in accordance with the *Bankruptcy and Insolvency Act.*

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 to address the *Orphan Well Association v Grant Thornton Limited* decision. In addition, the decision has had an impact and is expected to continue to have an impact on how much credit lenders are willing to provide to oil and gas companies. This could impact Gear's ability to obtain financing on acceptable terms and the willingness of Gear's lenders to continue to provide credit to the Company.

Project Risks

Gear manages a variety of small and large projects. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. Gear's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Company's control, including:

- commodity prices and oil differentials;
- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing, or Gear's ability to dispose of water used or removed from strata at a reasonable cost and within applicable environmental regulations;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, Gear could be unable to execute projects on time, on budget, or at all, and may be unable to market the oil and natural gas that the Company produces.

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. The Chief Executive Officer and the Chief Financial Officer of Gear evaluated the effectiveness of the design and operation of the Company's DC&P. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Gear's DC&P were effective as at December 31, 2019.

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 the financial year ended December 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").

Under the supervision of the Chief Executive Officer and the Chief Financial Officer, Gear conducted an evaluation of the effectiveness of the Company's ICFR as at December 31, 2019 based on the COSO Framework. Based on this evaluation, the officers concluded that as of December 31, 2019, Gear maintained effective ICFR. It should be noted that while Gear's officers believe that the Company's controls provide a reasonable level of assurance with regard to their effectiveness, they do not expect that the DC&P and ICFR will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met.

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

Newly Adopted Accounting Policies

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.

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 lease liability. Lease liabilities are initially measured at the present value of future lease payments in the Consolidated Balance Sheets. The discount rate used to measure the lease liability is the rate implicit in the lease or the company's incremental borrowing rate, if the rate implicit in the lease cannot be readily determined. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Certain lease payments will continue to be expensed in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. These leases are contractual obligations that contain any of the following: are to explore for or use oil and gas; are variable payments; the Company does not control the asset; or no asset is identified in the lease. 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.

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 relating to assets acquired in the Steppe Acquisition as compared to the previous guidance in the Steppe Press Release:

Table 19

	2019 Forecast	2019 Actuals
Annual production (boe/d)	**1,400 - 1,500**	905
Light oil weighting (%)	**99**	100
Royalty rate (%)	**8**	7
Operating and transportation costs ($/boe)	**13.00**	22.92
Net operating income ($ millions)	**27**	14.0
Capital expenditures ($ millions)	**18**	19.6
Planned wells	**6**	5

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. During 2019, Gear drilled two Tableland wells in the first quarter, one well at the end of the second quarter and two wells 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; current expectations with respect to Gear's 2020 capital expenditure program including expected drilling, completion and on production timing for wells drilled; 2020 Guidance estimates including expected average 2020 production, expected commodity weightings, royalty rate expectations, cost expectations, interest expense expectations and expected capital and abandonment expenditures; projections of future abandonment and reclamation costs; the number of wells Gear intends to abandon in 2020; expectations as to increasing production from certain wells; 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 (“IP”) 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			
(Cdn$ thousands, except per share, share, and per boe amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
FINANCIAL								
Sales of crude oil, natural gas and NGLs	30,396	32,459	37,297	31,837	17,408	33,334	33,674	24,900
Funds from operations (1)	13,738	15,968	17,104	15,032	2,089	11,578	13,674	8,078
Per weighted average basic share	0.06	0.07	0.08	0.07	0.01	0.06	0.07	0.04
Per weighted average diluted share	0.06	0.07	0.07	0.07	0.01	0.05	0.07	0.04
Cash flows from operating activities	11,401	13,613	18,881	5,981	1,538	16,831	8,596	14,787
Per weighted average basic share	0.05	0.06	0.09	0.03	0.01	0.08	0.04	0.08
Per weighted average diluted share	0.05	0.06	0.08	0.03	0.01	0.08	0.04	0.08
Net (loss) income	(8,045)	3,493	5,684	(6,812)	10,553	706	(1,869)	(4,294)
Per weighted average basic share	(0.04)	0.02	0.03	(0.03)	0.05	-	(0.01)	(0.02)
Per weighted average diluted share	(0.04)	0.02	0.02	(0.03)	0.05	-	(0.01)	(0.02)
Capital expenditures	12,603	11,800	3,334	9,252	9,482	18,749	6,385	9,243
Decommissioning liabilities settled	889	1,170	474	399	1,401	318	373	889
Net acquisitions (dispositions) (2)	109	115	(162)	(1,038)	302	65,470	10	390
Net debt (1) (3)	69,752	69,837	72,127	85,740	91,908	83,733	38,960	45,330
Weighted average shares outstanding, basic (thousands)	218,365	219,084	219,093	219,016	219,013	198,826	195,045	194,968
Weighted average shares outstanding, diluted (thousands)	218,365	234,646	234,780	219,016	234,794	217,426	195,045	194,968
Shares outstanding, end of period (thousands)	217,610	218,873	219,093	219,044	219,015	218,776	195,213	194,968
OPERATING								
Production								
Heavy oil (bbl/d)	4,034	3,929	4,104	4,148	4,064	4,484	4,774	4,231
Light and medium oil (bbl/d)	1,763	2,059	2,166	1,863	1,834	1,228	1,232	1,197
Natural gas liquids (bbl/d)	269	218	228	235	267	268	219	223
Natural gas (mcf/d)	4,935	4,295	3,977	3,787	4,091	4,609	4,806	5,229
Total (boe/d)	6,888	6,922	7,161	6,877	6,847	6,748	7,025	6,522
Average prices								
Heavy oil ($/bbl)	49.17	52.93	60.45	52.89	22.45	56.79	55.04	42.97
Light and medium oil ($/bbl)	64.82	65.88	71.60	63.64	46.68	76.57	75.67	64.53
Natural gas liquids ($/bbl)	22.79	26.70	13.11	26.40	23.95	35.02	40.51	39.74
Natural gas ($/mcf)	2.36	0.79	0.92	2.40	1.45	0.93	1.08	1.66
Selected financial results ($/boe)								
Commodity and other sales	47.97	50.97	57.23	51.44	27.64	53.70	52.67	42.42
Royalties	(5.52)	(6.06)	(6.87)	(4.33)	(3.44)	(7.33)	(5.06)	(4.95)
Operating costs	(17.93)	(17.20)	(18.08)	(18.73)	(17.13)	(17.69)	(17.16)	(15.83)
Operating netback (1)	24.52	27.71	32.28	28.38	7.07	28.68	30.45	21.64
Realized risk management gain (loss)	0.58	0.80	(1.65)	(0.16)	(0.90)	(6.55)	(5.55)	(4.15)
General and administrative	(2.13)	(2.03)	(2.47)	(2.04)	(1.18)	(1.81)	(2.55)	(2.83)
Interest	(1.30)	(1.52)	(1.90)	(1.88)	(1.50)	(1.05)	(0.93)	(0.92)
Transaction costs	-	-	-	(0.01)	(0.19)	(0.64)	-	-
Realized gain (loss) on foreign exchange	0.01	0.11	(0.01)	-	0.02	0.02	(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.

SELECTED ANNUAL INFORMATION

(Cdn$ thousands, except per share, share, and per boe amounts)	2019	2018	2017
FINANCIAL			
Sales of crude oil, natural gas and NGLs	131,989	109,316	102,551
Funds from operations (1)	61,842	35,418	43,550
Per weighted average basic share	0.28	0.18	0.23
Per weighted average diluted share	0.28	0.16	0.21
Cash flows from operating activities	49,876	41,752	36,768
Per weighted average basic share	0.23	0.21	0.19
Per weighted average diluted share	0.23	0.19	0.18
Net (loss) income	(5,680)	5,094	10,229
Per weighted average basic share	(0.03)	0.03	0.05
Per weighted average diluted share	(0.03)	0.03	0.05
Capital expenditures	36,989	43,859	47,765
Decommissioning liabilities settled	2,932	2,981	2,577
Net (dispositions) acquisitions (2)	(976)	66,172	1,709
Net debt (1) (3)	69,752	91,908	43,269
Weighted average shares outstanding, basic (thousands)	218,887	202,020	193,477
Weighted average shares outstanding, diluted (thousands)	218,887	219,452	210,029
Shares outstanding, end of period (thousands)	217,610	219,015	194,968
OPERATING			
Production			
Heavy oil (bbl/d)	4,053	4,388	4,112
Light and medium oil (bbl/d)	1,963	1,374	1,237
Natural gas liquids (bbl/d)	238	244	265
Natural gas (mcf/d)	4,252	4,680	5,379
Total (boe/d)	6,962	6,786	6,511
Average prices			
Heavy oil ($/bbl)	53.87	45.01	45.49
Light and medium oil ($/bbl)	66.69	63.73	59.40
Natural gas liquids ($/bbl)	22.26	34.26	26.80
Natural gas ($/mcf)	1.63	1.29	2.32
Netback ($/boe)			
Commodity and other sales	51.94	44.13	43.15
Royalties	(5.71)	(5.19)	(4.40)
Operating costs	(17.98)	(16.97)	(16.66)
Operating netback (1)	28.25	21.97	22.09
Realized risk management (loss) gain	(0.12)	(4.29)	(0.64)
General and administrative	(2.17)	(2.08)	(2.25)
Interest	(1.65)	(1.10)	(0.84)
Transaction costs	-	(0.21)	-
Realized gain (loss) on foreign exchange	0.03	(0.01)	(0.04)

(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 (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.

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