

FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

We regularly include the following data populated with estimated monthly results:

Capital *

(\$k CAD)

	Q1 19	Q2 19	Q3 19	19-Nov	19-Dec	Q4 19	2019	20-Jan
Drill & Complete	6,112	1,818	9,253	4,343	2,607	9,071	26,253	2,436
Facilities	2,676	1,658	3,505	1,775	564	3,967	11,806	568
Land & Seismic	671	31	19	59	22	89	810	6
A&D	-1,038	-163	115	15	11	109	-977	3
Other	-207	-173	-977	-138	60	-523	-1,880	-170
TOTAL	8,214	3,172	11,914	6,055	3,264	12,712	36,012	2,844

Production (boe/d) *

	6,877	7,161	6,922	7,170	6,739	6,888	6,962	6,757
Sales	6,877	7,161	6,922	7,170	6,739	6,888	6,962	6,757
Field	6,649	6,979	6,864	6,949	6,739	6,917	6,853	6,667

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

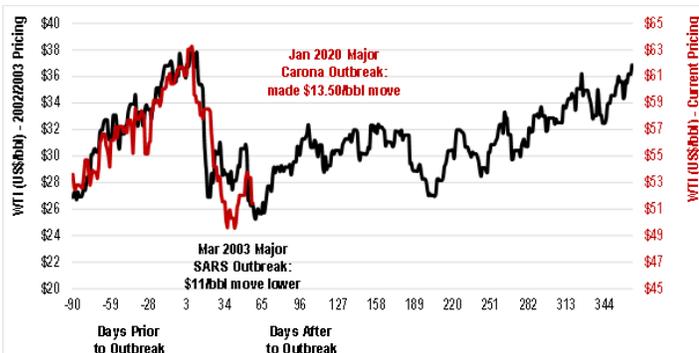
The new Coronavirus has the whole planet on edge as everyone speculates on the potential impacts and looks forward to it hopefully receding soon. This uncertainty also continues to dampen global oil prices due to significant uncertainty regarding the impacts on demand through 2020. Although impossible to predict the future, perhaps it is slightly helpful to look to the past for some direction. In this case, National Bank compiled data on the oil price movements resulting from the similar SARS outbreak back in 2002/2003, and compared it to the current market and timing of the Coronavirus. Take it with a grain of salt, but perhaps this could lead one to believe that we may be near the bottom and starting to trend towards some kind of recovery. Although the current forward curve for WTI certainly does not reflect this optimism, it is at least mostly flat as opposed to continuing to decline.



There are multiple reasons for this improvement. The wide differentials at the beginning of 2020 were driven primarily by a temporary Keystone pipeline outage and a Canadian rail strike in late 2019, both leading to a large build in oil storage in Western Canada. Now, that storage appears to be diminishing rapidly due to a combination of increased pipeline capacity, increased crude by rail activity and no material supply growth from Western Canada.

In aggregate, if this situation continues in the same direction, we may even see differentials compress further. The current summer differentials ranging in the low teens are approximately representative of the average cost to rail heavy oil. However, with improved Canadian supply/demand fundamentals and egress, that discount could even potentially approach US\$10/bbl which is the approximate average cost to ship oil via pipeline, and is similar to actual values seen in early 2019.

WTI Price Move - SARS Outbreak vs Coronavirus



Source: NBC, Bloomberg

Offsetting the current weak outlook for WTI prices is the recent material improvements in the WCS heavy oil differential. Compared to the settled February 2020 WCS differential discount of US\$23.60/bbl, the curve has compressed by US\$9.50/bbl (or over 40%) to a current forecast low of US\$14.10 for July of 2020.

Similar percentage improvements are also currently being seen in the forecast for light oil differentials, although they will have a lesser impact on Gear’s realized prices due to the relative scale.

As things stand today, the 2020 futures oil prices are not meeting the numbers set out in Gear’s \$50 million 2020 budget guidance. (US\$58/bbl WTI and US\$15.50/bbl WCS Differentials). The differentials are very close, but WTI is not. Although it is too early to pursue any drastic changes to the 2020 plan, there remains significant flexibility in how the capital program will ultimately be executed.

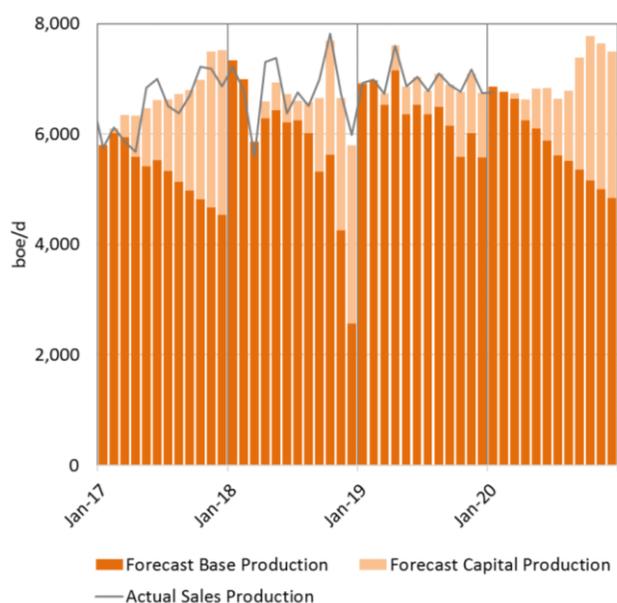
Gear’s capital spending to date in 2020 has been focused primarily on heavy oil drilling, intending to take advantage of the forecasted strong summer differentials. The rest of the capital program is planned to be weighted significantly towards the second half of the year. In particular, the third quarter capital forecast accounts for approximately 45% of the total annual capital budget. A large portion of that third quarter forecast is the \$18 million budget for light oil drilling in Tableland.

The production profile associated with the current budget is estimated to deliver seven per cent growth from the fourth quarter of 2019 to the fourth quarter of 2020. If energy prices were to remain weak through to the end of the second quarter, the back weighted capital plan may require re-evaluation. Perhaps shifting the 2020 fourth quarter production target lower or maybe even to zero growth over the same time frame.

Regardless of what the macro environment delivers for pricing, the Gear team will be nimble and responsive as always, continuing to strategically prioritize our main goals:

- Invest in projects that generate value through a competitive rate of return
- Focus on maintaining an efficient, low cost business
- Preserve the strong balance sheet
- Maintain base production and reserves value
- Buy back shares

Capital	
18.0	Drill 5 two-mile Torquay wells in Tableland, SE SK
14.0	Drill 17 heavy oil wells in Lloydminster area
5.5	Drill 4 (3.2 net) central Alberta light/medium oil wells
6.5	Waterfloods, recompletion, workovers and facilities
3.5	Abandonment and reclamation activities
2.5	Land, seismic and corporate costs
\$50MM	



Certain information in this monthly update is forward-looking within the meaning of certain securities laws, and is subject to important risks, uncertainties and assumptions. This forward-looking information may include, among other things, estimated production, expected cash flow and profit from certain assets of Gear, expectations of commodity prices and price differentials, demand for oil, capital expenditure budgets and estimates, royalty rates, operating costs, credit/debt requirements, and drilling inventory and locations. Readers should not rely on such forward-looking information to make investment decisions as the results or events anticipated or predicted in such forward-looking information may differ materially from actual results or events as a result of a number of factors including based on the risk factors as set forth in Gear's most recent annual information form (the "AIF"), which is available on this website and at www.sedar.com. Gear has based the forward-looking information on a number of assumptions including the assumptions identified in such monthly updates, which may not be realized. It has also assumed that the risk factors discussed in the AIF will not cause such forward-looking information to differ materially from actual results or events. The forward-looking information in this monthly update describes the expectations of management of Gear as of the respective dates of this monthly update and Gear does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws. Readers should not rely on the views of management of Gear as set out in this monthly update to make investment decisions with respect to Gear or other companies in the oil and gas industry and should instead consult with their own investment advisors.

This monthly update may include certain key performance indicators to analyze financial and operating performance such as cash flow from operations, cash flow from operations per debt adjusted share, production per day per thousand debt adjusted shares, operating netbacks, corporate netbacks and net debt, which do not have any standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable with the calculation of similar measures for other entities. For additional information on these non-GAAP measures, see Gear's most recent management's discussion and analysis which is available on Gear's website at www.gearenergy.com and at www.sedar.com.

Barrel of oil equivalent ("boe") used in the monthly updates have been based on a conversion ratio of 1 barrel of oil to 6 thousand cubic feet of natural gas. A boe may be misleading, particularly if used in isolation, as such conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.