Monthly Update

April 24, 2020
Vol. 7 Issue 3

FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

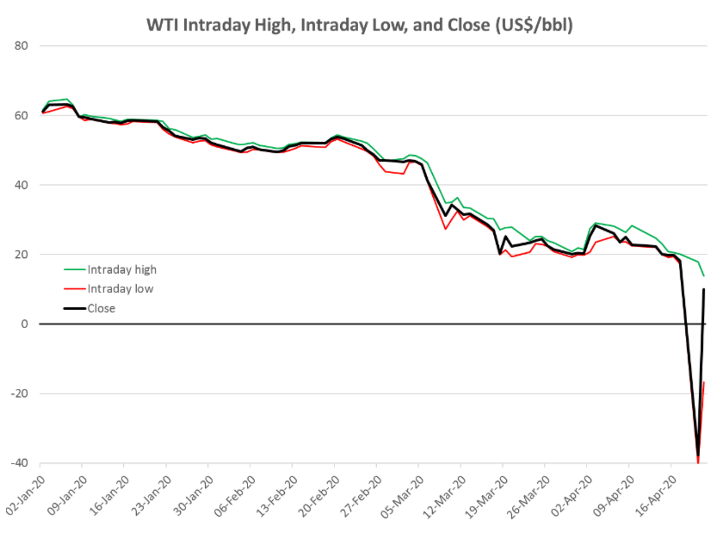
We regularly include the following data populated with estimated monthly results:

Capital * ($k CAD)	Q1 19	Q2 19	Q3 19	Q4 19	**2019**	20-Jan	20-Feb	20-Mar	Q1 20
Drill & Complete	6,112	1,818	9,253	9,071	**26,253**	2,436	3,785	1,686	7,907
Facilities	2,676	1,658	3,505	3,967	**11,806**	568	1,875	593	3,037
Land & Seismic	671	31	19	89	**810**	6	120	4	131
A & D	-1,038	-163	115	109	**-977**	3	0	0	3
Other	-207	-173	-977	-523	**-1,880**	-170	235	-39	26
TOTAL	**8,214**	**3,172**	**11,914**	**12,712**	**36,012**	**2,844**	**6,015**	**2,245**	**11,104**

Production (boe/d) *									
Sales	**6,877**	**7,161**	**6,922**	**6,888**	**6,962**	**6,757**	**6,801**	**6,677**	**6,744**
Field	6,649	6,979	6,864	6,917	6,853	6,667	6,768	6,633	6,688

** Estimates based on field data, actuals will vary from estimates due to accruals and adjustments.*

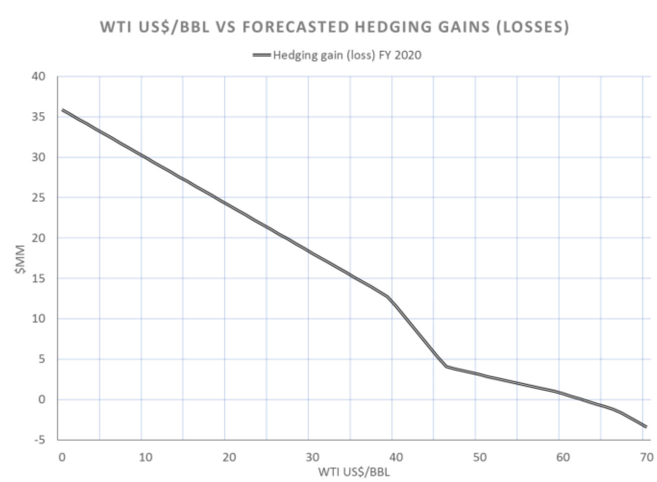
Well, I don't know about everyone else, but I would like the roller coaster to slow down very soon because this wild ride is starting to get a little nauseating. I am not sure how many more "unprecedented", "historic", and "all-time" records I really need to experience in my career. The last week in particular has been really stomach churning.



Not surprisingly, with all the volatility, I have been receiving an increased number of queries from shareholders. As such, I thought it might be helpful to provide a little clarity for everyone on some of those queries. I will tackle a handful of the most common questions.

What is the scale of potential hedging gains if prices get even worse?

- Good question. Last month I provided a chart showing US WTI prices per barrel versus predicted annual hedging gains (CAD$). It was built using Q1 estimated prices, and various flat forward WTI prices for Q2 to Q4. The best way to answer that question is to just extend the same chart a little further to the left. Despite this week's negative pricing experiences, I chose to start the chart at zero pricing. I am hoping that is a safe bet. As a reminder, this is not showing funds from operations, just hedging gains, there are costs that need to be subtracted to get down to actual realized funds from operations. The numbers look fairly strong as prices get worse.



How are Gear's actual received oil prices determined?

- Our oil prices start with WTI, or West Texas Intermediate pricing. The final WTI price that Gear receives is the simple average of each day's closing price during any given calendar month (the black line in the first chart). For example, in March, WTI traded for 22 business days and the average spot closing price over that period was US$30.45/bbl. Similarly the average CAD/US exchange rate over the same period was 0.7163, making the March Canadian equivalent WTI price set at $42.51/bbl. Our oil is of course subject to quality differentials; WCS for our heavy oil, MSW for our Alberta light and medium oil, and LSB for our southeast Saskatchewan light oil. Each of these discounts is determined by the prior month's trading. Over the course of a pre-determined period of approximately 15 – 20 days each month, the simple average closing prices are then applied as a discount to the following month's WTI price. For example, during that period in February, the WCS differential traded at an average of minus US$17.61/bbl. This then became the actual discount applied to WTI in March. Using the same March exchange rate, we ended up with an actual realized WCS benchmark price in Canadian dollars of $17.93/bbl. Gear then has an additional quality discount applied to its heavy oil, usually about $5/bbl, yielding a field price of approximately $12.93/bbl. The same price setting mechanisms occur with our two light oil streams as well, just with varying discounts to the benchmark prices.

What is Gear planning to do with the convertible debentures this year?

- This has been a very common question, and of course it is the most difficult to answer because it really depends on a multitude of factors. There are basically three potential outcomes for the $13.2 million of outstanding convertible debentures that mature on November 30, 2020.
    1. Retire them by issuing $13.2 million worth of GXE shares at 95% of the previous 20-day volume weighted average share price.
    2. Retire them by distributing $13.2 million of cash to the debenture holders
    3. Or, seek to essentially refinance them (or a portion of them) subject to new market conditions. Also know as an "amend and extend". As a refresher, the current strike price is $0.87 per share and the interest rate payable is 4%. Both of those numbers would likely change if refinanced in today's market.

    There may be other options to retire the convertibles, but these are the main ones that would be considered. Each of the options has its advantages and disadvantages. And each of the options will have a varying likelihood of success, primarily dependant on external factors. Those factors include; oil prices, investor sentiment, available equity, available liquidity on the syndicated credit facilities, and others. So, the short answer is that we cannot speculate right now on what Gear will do. But, it is likely that it will end up being one (or more) of the three outlined options.

And the last question that I have been getting a lot is:

How are the team doing through these challenging times?

- I really appreciate that investors are thinking about this, because I have it front of mind on a daily basis. Gear is basically days away from celebrating its 10-year anniversary, and like most things in life, things don't always work out the way you originally intended. But this team has continued to amaze me with resilience, creativity, and stamina. So, the answer is, considering everything that is going on, we are actually doing pretty darn well. Fortunately, everyone is healthy and largely working from their home offices or socially distancing out in our various operating areas. To the best of our ability, we will continue do everything we can to overcome the challenges of the current market and hopefully come out the other side of this stronger and more focused.

    We are looking forward to the next 10 years!

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.