GEAR ENERGY

Monthly Update

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FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

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

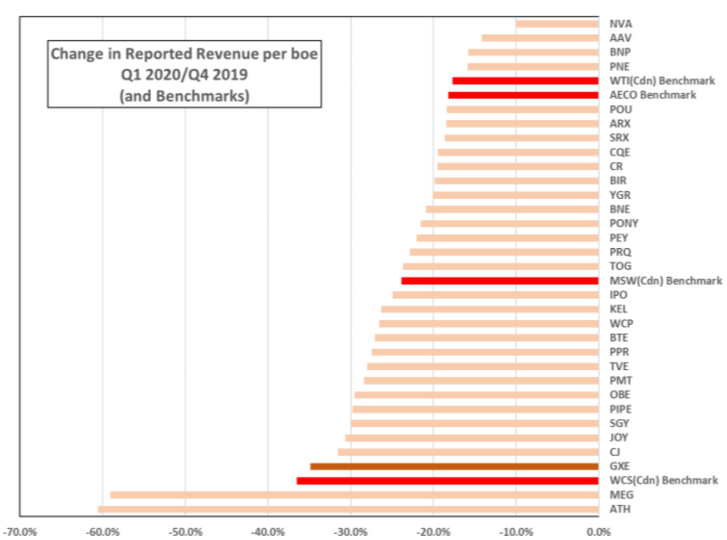
Capital * *($k CAD)*	Q1 19	Q2 19	Q3 19	Q4 19	**2019**	20-Feb	20-Mar	Q1 20	20-Apr	**2020 YTD**
Drill & Complete	6,112	1,818	9,253	9,071	**26,253**	3,785	1,686	7,907	310	**8,217**
Facilities	2,676	1,658	3,505	3,967	**11,806**	1,875	593	3,037	-235	**2,801**
Land & Seismic	671	31	19	89	**810**	120	4	131	6	**137**
A&D	-1,038	-163	115	109	**-977**	0	0	3	0	**3**
Other	-207	-173	-977	-523	**-1,880**	235	-39	26	-7	**19**
TOTAL	**8,214**	**3,172**	**11,914**	**12,712**	**36,012**	**6,015**	**2,245**	**11,104**	**74**	**11,177**

Production (boe/d) *										
Sales	**6,877**	**7,161**	**6,922**	**6,888**	**6,962**	**6,801**	**6,677**	**6,744**	**3,472**	**5,932**
Field	6,649	6,979	6,864	6,917	6,853	6,768	6,633	6,688	4,279	6,090

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

The dust has settled on a rather volatile first quarter, and it was certainly a memorable one. We have gone through the available public results for a broader range of peer companies and the results are a little hard to look at with average revenues per boe dropping by over 25 per cent from the fourth quarter of 2019 to the first quarter of 2020. The individual company data ranged from negative 10 per cent all the way down to negative 60 percent. Not a single company we looked at was spared some kind of downward pressure.

Obviously, the primary reason for the quarter over quarter weakness in company revenues was the substantial drop in the associated benchmark prices. In order of increasing weakness; WTI oi prices and AECO gas prices both dropped about 18 per cent, MSW (Edmonton Sweet) oil prices dropped 24 per cent, and WCS heavy oil prices dropped over 36 per cent from the fourth quarter of 2019 to the first quarter of 2020. We compiled a chart of this quarter over quarter drop in revenue.



Without digging too deep into the data, the observation here is that the closer a company product mix is to either WTI or AECO benchmarks, the less of a drop in revenue they experienced. So gas weighted and light oil producers fared better in this quarter over quarter analysis.

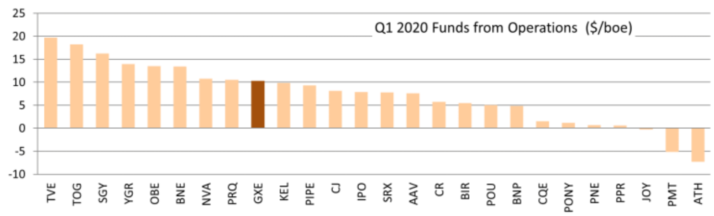
More specific to Gear, we speculate that if you were to cross plot the drop in company revenues against heavy oil production weighting, you would likely also see a strong correlation. We would have done this, but unfortunately in this peer group, actual heavy oil production is not always disclosed.

When the market experiences volatile times like these, the Canadian differential based prices tend to suffer even more volatility than most, primarily as a result of timing. In this case, when WTI prices weakened in March the WCS differential for March had already been settled the prior month. This resulted in the aggregate price weakness to be doubly compounded. Specifically, the WCS heavy oil differential in January was approximately 36 per cent of the January WTI prices, but by March that ratio expanded to approximately 58 per cent.

Typically this phenomenon is temporary. For example, now that we have moved into the second quarter and oil prices appear to be gaining a little stability, the WCS differential in June settled at US$4.50 per boe. This differential is less than 15 per cent of the current spot WTI price. If actual index WTI prices in June stay around today's levels, that 15 per cent number will be a dramatic improvement from the 58 per cent differential that we experienced upon exiting the first quarter.

Fortunately, realized prices and revenue are only the starting point of this business. You need to move through the rest of the costs and the strength of the risk management program to get to the bottom line, which is the funds from operations.

Within Gear's peer group we have typically benchmarked comfortably within the top quartile on funds from operations per boe. This quarter, despite the very material percentage drop in revenue per boe, Gear's results still managed to rank comfortably better than average. This is a strong testament to the advantages of keeping a close eye on all the parts of the business that you can actually control.



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.