



For Immediate Release

Calgary, Alberta, October 27, 2020

GEAR ENERGY LTD. ANNOUNCES PROPOSED AMENDMENTS OF CONVERTIBLE DEBENTURES

Gear Energy Ltd. (TSX: GXE) (the "**Company**") is pleased to announce that the beneficial holders of in excess of 66 2/3% of its outstanding \$13,185,000 aggregate principal amount of convertible unsecured subordinated debentures (the "**Debentures**") have agreed to certain amendments to the Debentures.

The proposed amendments (the "**Amendments**") to the Debentures, include, among other things:

- (i) extending the maturity date of the Debentures from November 30, 2020 to November 30, 2023 (the "**Maturity Date**");
- (ii) an interest rate of 7.0% per annum;
- (iii) at the option of the Company, to pay interest in-kind on the Debentures for the period from December 1, 2020 to November 30, 2021 by issuing additional Debentures to the holders of the Debentures;
- (iv) each \$1,000 amount of Debentures will be convertible at the option of the holder, at any time prior to the Maturity Date into 3,125 freely tradeable common shares (the "**Common Shares**") of the Company, representing a conversion price of \$0.32 per Common Share (the "**Conversion Price Amendment**"), and
- (v) the Debentures will be redeemable by the Company at any time by fully repaying the principal amount and all accrued interest owing on the Debentures on the date selected for redemption or, at the option of the Company, by issuing Common Shares in respect of the principal amount owing at an issue price equal to 95% of the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange (the "**TSX**") for the 20 trading days ending 5 trading days prior to the redemption date.

The Amendments to the Debentures will be effective as of December 1, 2020, provided that the Conversion Price Amendment will be effective upon receipt of the Shareholder Approval, and the Company expects to enter into an amended and restated debenture indenture to give effect to such Amendments on or before December 1, 2020.

The Amendments remain subject to the approval of the TSX, the lenders of the Company and, in respect of the Conversion Price Amendment, the shareholders of the Company. A special meeting of the shareholders of the Company to approve the Conversion Price Amendment is expected to be held prior to December 31, 2020 (the "**Shareholder Approval**"), with the timing and details of such special meeting of shareholders to be announced separately.

If the Conversion Price Amendment does not receive the Shareholder Approval, the Maturity Date will be accelerated to December 31, 2020 and the Company will be required to repay the principal amount and all accrued interest owing under all of the Debentures on December 31, 2020, which will include all accrued

and unpaid interest on the Debentures for the period from December 1, 2020 to, but excluding, December 31, 2020. If the Conversion Price Amendment is not approved and the Debentures mature on December 31, 2020, the Company intends to repay the principal amount owing on the Debentures by issuing Common Shares in accordance with the existing terms of the Debentures at an issue price equal to 95% of the volume weighted average trading price of the Common Shares on the TSX for the 20 trading days ending 5 trading days prior to December 31, 2020.

Burgundy Asset Management Ltd. ("**Burgundy**") currently holds Debentures in an aggregate \$9,402,000 principal amount of Debentures, representing 71.3% of the issued and outstanding Debentures. Burgundy also currently holds approximately 23,135,776 Common Shares representing approximately 10.7% of the issued and outstanding Common Shares. The Shareholder Approval is required in accordance with the rules of the TSX because Burgundy would receive greater than 10% of the currently issued and outstanding Common Shares on conversion of the Debentures based on the Conversion Price Amendment.

Further details regarding the Conversion Price Amendment and the other Amendments will be provided to shareholders in a management information circular, which is expected to be mailed to shareholders of the Company in November 2020.

**For further information, please contact:
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Forward-looking Information and Statements

This press release 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 press release contains forward-looking information and statements pertaining to the following: the proposed Amendments to the Debentures, the receipt of all required regulatory and lending approvals, the intention to repay the principal amount of the Debentures by issuing Common Shares if the Maturity Date is accelerated to December 31, 2020, the anticipated timing of mailing of the materials for, and the holding of, the special meeting of shareholders of the Company, and the completion and the timing of such Amendments.

The forward-looking information and statements contained in this press release reflect several material factors and expectations and assumptions of the Company including, without limitation: that the Company will receive all applicable regulatory, shareholder and lender approvals for the Amendments; that the Company 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 the Company's reserves and resource volumes; certain commodity price and other cost assumptions; that all counterparties to contracts and transactions including hedges will comply with their obligations pursuant to such contracts and transactions; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures. The Company 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 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 press release 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: the inability to receive the required regulatory, lender or shareholder approval for the Amendments on the terms proposed or at all; changes in commodity prices; changes in the demand for or supply of the Company'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 the Company or by third party operators of the Company's properties, increased debt levels or debt service requirements; inaccurate

estimation of the Company'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; the risk that counterparties to contracts and transactions including hedges will not comply with their obligations pursuant to such contracts and transactions; the risk that the Company's lenders take actions that reduce availability of, or require repayment of, borrowings under the Company's credit facilities; the risk that the COVID-19 pandemic will continue to seriously adversely impact demand for oil; the risk that further actions taken by Russia and OPEC will result in further erosion of commodity prices; and certain other risks detailed from time to time in the Company's public documents including in the Company's most current annual information form which is available on SEDAR at www.sedar.com.

The forward-looking information and statements contained in this press release speak only as of the date of this press release, and the Company 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.