FINANCIAL AND OPERATIONAL HIGHLIGHTS

GEAR ENERGY

(Cdn$ thousands, except per share, share and per boe amounts)	Three months ended			Nine months ended	
	Sep 30, 2020	Sep 30, 2019	Jun 30, 2020	**Sep 30, 2020**	Sep 30, 2019
FINANCIAL					
Funds from operations (1)	**10,848**	15,968	8,068	**25,176**	48,104
Per boe	**20.09**	25.07	32.26	**17.94**	25.22
Per weighted average basic share	**0.05**	0.07	0.04	**0.12**	0.22
Cash flows from operating activities	**8,864**	13,613	3,547	**22,201**	38,475
Per boe	**16.42**	21.38	14.18	**15.82**	20.17
Net (loss) income	**(1,157)**	3,493	(5,300)	**(116,673)**	2,365
Per weighted average basic share	**(0.01)**	0.02	(0.02)	**(0.54)**	0.01
Capital expenditures	**715**	11,800	239	**12,055**	24,386
Decommissioning liabilities settled	**87**	1,170	22	**779**	2,043
Net acquisitions (dispositions) (2)	**-**	115	-	**3**	(1,085)
Net debt (1)(3)	**60,544**	69,837	70,177	**60,544**	69,837
Weighted average shares, basic (thousands)	**216,490**	219,084	216,486	**216,563**	219,063
Shares outstanding, end of period (thousands)	**216,490**	218,873	216,490	**216,490**	218,873
OPERATING					
Production					
Heavy oil (bbl/d)	**3,321**	3,929	1,388	**2,900**	4,060
Light and medium oil (bbl/d)	**1,746**	2,059	845	**1,456**	2,030
Natural gas liquids (bbl/d)	**174**	218	103	**165**	227
Natural gas (mcf/d)	**3,761**	4,295	2,474	**3,606**	4,021
Total (boe/d)	**5,868**	6,922	2,749	**5,122**	6,987
Average prices					
Heavy oil ($/bbl)	**40.27**	52.93	20.46	**31.32**	55.45
Light and medium oil ($/bbl)	**47.61**	65.88	24.91	**44.38**	67.24
Natural gas liquids ($/bbl)	**20.30**	26.70	25.73	**17.17**	22.04
Natural gas ($/mcf)	**2.25**	0.79	1.98	**2.06**	1.33
Netback ($/boe)					
Petroleum and natural gas sales	**39.00**	50.97	20.74	**32.36**	53.26
Royalties	**(3.48)**	(6.06)	(1.38)	**(3.18)**	(5.78)
Operating costs	**(13.60)**	(15.10)	(14.51)	**(14.78)**	(15.78)
Transportation costs	**(2.71)**	(2.10)	(1.92)	**(2.29)**	(2.22)
Operating netback (1)	**19.21**	27.71	2.93	**12.11**	29.48
Realized risk management gain (loss)	**5.35**	0.80	35.85	**10.45**	(0.35)
General and administrative	**(2.28)**	(2.03)	(3.84)	**(2.80)**	(2.18)
Interest	**(2.19)**	(1.52)	(2.71)	**(1.91)**	(1.76)
Transaction costs	**-**	-	-	**-**	-
Realized gain on foreign exchange	**-**	0.11	0.03	**0.07**	0.03
TRADING STATISTICS					
($ based on intra-day trading)					
High	**0.25**	0.60	0.28	**0.50**	0.88
Low	**0.14**	0.41	0.09	**0.08**	0.41
Close	**0.16**	0.47	0.21	**0.16**	0.47
Average daily volume (thousands)	**275**	406	571	**573**	367

(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. September 30, 2020 – nil, September 30, 2019 – $0.7 million, June 30, 2020 – nil.

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 November 4, 2020 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements as at and for the three and nine months ended September 30, 2020 and the audited Consolidated Financial Statements as at and for the year ended December 31, 2019. Both 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

ECONOMIC ENVIRONMENT

The dominant headline for 2020 to date has been the COVID-19 pandemic which has adversely impacted the global economy as a result of governments mandating the shut-down of several facets of society. This, in turn, led to significantly reduced world oil consumption. As a result, oil prices plummeted with WTI hitting a historical low of *negative* US$37 per barrel in April 2020. Since then, WTI has recovered. During the third quarter, Gear chose to restart the majority of its shut-in production and sold a large amount of volumes previously stored in inventory in an effort to maximize funds from operations. Early into the third quarter, Gear initiated a gradual production re-start across the majority of its asset base as minimum economic pricing thresholds started to be met. By the end of the third quarter, all wells that met the economic pricing thresholds were operational. To date, no issues have been encountered with restarted production. In addition, capital expenditures are expected to be minimal for the remainder of 2020. Protection and continued improvement of the corporate balance sheet remains the top priority.

In conjunction with all the volatility in commodity prices and the corresponding operational impacts, Gear has been working very closely with its lenders under its syndicated Credit Facilities (as defined below). In July, Gear completed its annual borrowing base redetermination with amended terms for the Credit Facilities that provides Gear with ample liquidity under the new credit structure for the remainder of 2020. Lenders continue to be constructive with the next borrowing base redetermination scheduled for November 30, 2020. In addition, Gear had previously announced the engagement of a financial advisor to consider a number of possible strategic alternative transactions to improve liquidity, provide additional flexibility and enhance shareholder value. To date, there is nothing material to report as a result of this process.

2020 GUIDANCE

	2020 Full Year Guidance	Sep 30, 2020 YTD Actuals
Annual Production (boe/d)	**5,200 – 5,300**	5,122
Heavy oil weighting (%)	**57**	57
Light/Medium Oil and NGLs weighting (%)	**31**	32
Royalty rate (%)	**11**	10
Operating and transportation costs ($/boe)	**17.00 - 18.00**	17.07
General and administrative expense ($/boe)	**2.40**	2.80
Interest expense ($/boe)	**2.05**	1.91
Capital and abandonment expenditures ($ millions)	**14**	13

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				Nine months ended		
	Sep 30, 2020	Sep 30, 2019	% Change	Jun 30, 2020	**Sep 30, 2020**	Sep 30, 2019	% Change
Funds from operations per debt adjusted share (1)	**0.017**	0.044	(61)	0.014	**0.040**	0.135	(70)
Cash flows from operating activities per debt adjusted share (1)	**0.014**	0.037	(62)	0.006	**0.036**	0.108	(67)
Production, boepd per debt adjusted thousand shares (1)	**0.009**	0.019	(53)	0.005	**0.008**	0.020	(60)

(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 measure below under the heading "*Non-GAAP Measures*".

2020 THIRD QUARTER FINANCIAL AND OPERATIONAL RESULTS

Funds from Operations and Cash Flows from Operating Activities
Funds from operations decreased from $16.0 million or $25.07 per boe in the third quarter of 2019 to $10.8 million or $20.09 per boe in the third quarter of 2020. On a year to date basis funds from operations decreased from $48.1 million and $25.22 per boe in 2019 to $25.2 million and $17.94 per boe in 2020. The decreases in funds from operations are the result of decreased revenues due to lower production volumes and lower realized commodity prices, offset by increased gains on risk management contracts and decreased royalty, operating, and realized foreign exchange costs.

The following table details the change in funds from operations for 2020 relative to 2019:

Table 3

	Three months ended Sep 30		Nine months ended Sep 30	
	$ thousands	$/boe	$ thousands	$/boe
Q3 2019 Funds from operations (1)	15,968	25.07	48,104	25.22
Volume variance	(4,945)	-	(26,833)	-
Price variance	(6,460)	(11.97)	(29,348)	(20.91)
Cash gain on risk management contracts	2,380	4.55	15,329	10.80
Royalties	1,984	2.59	6,548	2.59
Expenses:				
Operating	2,148	0.89	10,360	0.92
General and administrative	59	(0.26)	279	(0.58)
Interest	(213)	(0.67)	688	(0.14)
Transaction costs	-	-	7	-
Realized foreign exchange	(73)	(0.11)	42	0.04
Q3 2020 Funds from operations (1)	10,848	20.09	25,176	17.94

(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 decreased from $13.6 million or $21.38 per boe in the third quarter of 2019 to $8.9 million or $16.42 per boe in the third quarter of 2020. The decrease in cash flows from operating activities is the result of decreased revenues due to lower production volumes and lower realized commodity prices, offset by increased gains on risk management contracts and decreased royalty, operating, general and administrative costs, as well as decreased decommissioning liabilities settled.

For the nine months ended September 30, 2020 cash flows from operating activities decreased from 38.5 million and $20.17 per boe in the third quarter of 2019 to $22.2 million and $15.82 per boe for the third quarter of 2020. The decrease in cash flows from operating activities is the result of decreased revenues due to lower production volumes and lower realized commodity prices offset by increased gains on risk management contracts and decreased royalty, operating, general and administrative, interest costs as well as decreased decommissioning liabilities settled.

Net loss
For the three and nine months ended September 30, 2020, Gear generated net losses of $1.2 million and $116.7 million, compared to net income of $3.5 million in the third quarter of 2019 and net income of $2.4 million for the nine months ended September 30, 2019. The changes in net income are due to several factors discussed below.

Production

In response to the low commodity price environment earlier in the year Gear began shutting in and storing production in early April. As a result of improved pricing starting in June, Gear chose to restart its shut-in production in phases starting in June and reaching full productive capacity in August. A small number of wells remain shut-in due to economic thresholds not being currently achieved. In addition, Gear sold 284 boe/d of volumes in the third quarter that had previously been stored in inventory. As a result, production for the third quarter averaged 5,868 boe/d, a planned decrease from third quarter 2019 production of 6,922 boe/d. For the nine months ended September 30, 2020, production volumes averaged 5,122 boe/d compared to 6,987 boe/d in the same period in 2019.

The Gear team intends to remain flexible and opportunistic, keeping a close eye on the commodity market and being prepared to further manage production to maximize the value of each barrel sold.

Table 4

	Three months ended				Nine months ended		
Production	**Sep 30, 2020**	Sep 30, 2019	% Change	Jun 30, 2020	**Sep 30, 2020**	Sep 30, 2019	% Change
Liquids (bbl/d)							
Heavy oil (bbl/d)	**3,321**	3,929	(15)	1,388	**2,900**	4,060	(29)
Light and Medium oil (bbl/d)	**1,746**	2,059	(15)	845	**1,456**	2,030	(28)
Natural gas liquids (bbl/d)	**174**	218	(20)	103	**165**	227	(27)
Total liquids (bbl/d)	**5,241**	6,206	(16)	2,336	**4,521**	6,317	(28)
Natural gas (mcf/d)	**3,761**	4,295	(12)	2,474	**3,606**	4,021	(10)
Total production (boe/d) (1)	**5,868**	6,922	(15)	2,749	**5,122**	6,987	(27)
% Liquids production	**89**	90	(1)	85	**88**	90	(2)
% Natural gas production	**11**	10	7	15	**12**	10	17

(1) Reported production for a period may include minor adjustments from previous production periods.

Petroleum and natural gas sales ("Sales")

For the third quarter of 2020, sales of crude oil, natural gas and natural gas liquids totaled $21.1 million, a 35 per cent decrease over the third quarter 2019 sales of $32.5 million. For the nine months ended September 30, 2020, sales of crude oil, natural gas and natural gas liquids decreased 55 per cent from $101.6 million in 2019 to $45.4 million in 2020. These decreases are the result of lower production volumes and lower realized commodity prices.

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

Table 5

Sales by product	Three months ended				Nine months ended		
($ thousands)	**Sep 30, 2020**	Sep 30, 2019	% Change	Jun 30, 2020	**Sep 30, 2020**	Sep 30, 2019	% Change
Heavy oil	**12,304**	19,132	(36)	2,583	**24,897**	61,504	(60)
Light and medium oil	**7,646**	12,479	(39)	1,916	**17,709**	37,261	(52)
Natural gas liquids	**324**	535	(39)	242	**774**	1,366	(43)
Natural gas	**780**	313	149	447	**2,033**	1,462	39
Total petroleum and natural gas sales	**21,054**	32,459	(35)	5,188	**45,413**	101,593	(55)

Commodity Prices
Table 6

Average Benchmark Prices	Three months ended Sep 30, 2020	Sep 30, 2019	% Change	Jun 30, 2020	Nine months ended Sep 30, 2020	Sep 30, 2019	% Change
WTI oil (US$/bbl) (1)	**40.93**	56.45	(27)	27.85	**38.32**	57.06	(33)
WCS heavy oil (Cdn$/bbl) (2)	**42.40**	58.39	(27)	22.69	**33.31**	60.24	(45)
Canadian Light Sweet (3) (Cdn$/bbl)	**49.82**	68.40	(27)	30.07	**44.07**	69.57	(37)
LSB (Cdn$/bbl) (4)	**50.02**	68.69	(27)	29.93	**44.01**	70.19	(37)
AECO natural gas ($/mcf) (5)	**1.98**	0.90	120	1.99	**2.01**	1.50	34
Cdn$ / US$ exchange rate	**1.33**	1.32	1	1.39	**1.36**	1.33	2
Gear Realized Prices							
Heavy oil ($/bbl)	**40.27**	52.93	(24)	20.46	**31.32**	55.45	(44)
Light and medium oil ($/bbl)	**47.61**	65.88	(28)	24.91	**44.38**	67.24	(34)
Natural gas liquids ($/bbl)	**20.30**	26.70	(24)	25.73	**17.17**	22.04	(22)
Natural gas ($/mcf)	**2.25**	0.79	185	1.98	**2.06**	1.33	55
Weighted average, before risk management contracts ($/boe)	**39.00**	50.97	(23)	20.74	**32.36**	53.26	(39)
Realized risk management gain (loss) ($/boe)	**5.35**	0.80	569	35.85	**10.45**	(0.35)	3086
Weighted average, after risk management contracts ($/boe)	**44.35**	51.77	(14)	56.59	**42.81**	52.91	(19)

(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.

For the third quarter of 2020, US denominated WTI prices decreased by 27 per cent over the same period in 2019, the WCS differential narrowed from US$12.24 per barrel to US$9.09 per barrel, the Canadian Light Sweet differential narrowed from US$4.66 per barrel to US$3.51 per barrel and the LSB differential narrowed from US$4.44 per barrel to US$3.36 per barrel. Although the differential pricing movements were positive, they were unable to offset the change in WTI prices which resulted in a decrease in Gear's realized pricing from $50.97 per boe to $39.00 per boe.

On a year-to-date basis WTI decreased from US$57.06 per barrel to US$38.32 per barrel over the same period in 2019, the WCS differential widened from US$11.73 per barrel to US$13.69 per barrel, the Canadian Light Sweet differential widened from US$4.71 per barrel to US$5.74 per barrel and the LSB differential widened from US$4.24 per barrel to US$5.79 per barrel. These pricing movements along with the weakening of the Canadian dollar resulted in a decrease in Gear's realized pricing from $53.26 per boe to $32.36 per boe.

Royalties
In the third quarter of 2020, royalties as a percentage of commodity sales were 8.9 per cent compared to 11.9 per cent for the same period in 2019. The decrease in royalties as a percentage of commodity sales was the result of lower realized commodity pricing. For the nine months ended September 30, royalties as a percentage of commodity sales decreased from 10.8 per cent in 2019 to 9.8 per cent in 2020.

Table 7

Royalty expense ($ thousands except % and per boe)	Three months ended Sep 30, 2020	Sep 30, 2019	% Change	Jun 30, 2020	Nine months ended Sep 30, 2020	Sep 30, 2019	% Change
Royalty expense	**1,877**	3,861	(51)	345	**4,468**	11,016	(59)
Royalty expense as a % of Sales	**8.9**	11.9	(25)	6.6	**9.8**	10.8	(9)
Royalty expense per boe	**3.48**	6.06	(43)	1.38	**3.18**	5.78	(45)

Operating and Transportation Expenses
Operating costs plus transportation for the three and nine months ended September 30, 2020 were $16.31 per boe and $17.07 per boe, compared to $17.20 per boe and $18.00 per boe for the same periods in 2019. These decreases are the result of the temporary shut-in of higher cost production in the quarter as well as barrels sold from inventory that had minimal value ascribed to them due to inventory impairments taken in the first quarter of 2020. In the third quarter, Gear modified its sales delivery points to maximize net realized oil prices despite the appearance of higher transportation costs.

Table 8 below summarizes the operating and transportation expenses:

Table 8

Operating and Transportation expenses ($ thousands except per boe)	**Sep 30, 2020**	Three months ended Sep 30, 2019	% Change	Jun 30, 2020	**Sep 30, 2020**	Nine months ended Sep 30, 2019	% Change
Operating expense	**7,344**	9,617	(24)	3,627	**20,748**	30,098	(31)
Transportation expense	**1,464**	1,339	9	482	**3,220**	4,230	(24)
Operating and transportation expense	**8,808**	10,956	(20)	4,109	**23,968**	34,328	(30)
Operating expense per boe	**13.60**	15.10	(10)	14.51	**14.78**	15.78	(6)
Transportation expense per boe	**2.71**	2.10	29	1.92	**2.29**	2.22	3
Operating and transportation expense per boe	**16.31**	17.20	(5)	16.43	**17.07**	18.00	(5)

Operating Netbacks

Gear's operating netback prior to risk management contracts was $19.21 per boe in the third quarter of 2020 and $12.11 per boe for the nine months ended September 30, 2020, a decrease of 31 per cent and 59 per cent from the same periods in 2019. The decrease in operating netbacks was primarily the result of decreased commodity prices, partially offset by lower royalties and operating costs.

The components of operating netbacks are summarized in Table 9:

Table 9

Operating Netback ($ per boe)	**Sep 30, 2020**	Three months ended Sep 30, 2019	% Change	Jun 30, 2020	**Sep 30, 2020**	Nine months ended Sep 30, 2019	% Change
Total sales	**39.00**	50.97	(23)	20.74	**32.36**	53.26	(39)
Royalties	**(3.48)**	(6.06)	(43)	(1.38)	**(3.18)**	(5.78)	(45)
Operating costs	**(13.60)**	(15.10)	(10)	(14.51)	**(14.78)**	(15.78)	(6)
Transportation costs	**(2.71)**	(2.10)	29	(1.92)	**(2.29)**	(2.22)	3
Operating netback	**19.21**	27.71	(31)	2.93	**12.11**	29.48	(59)

General and Administrative ("G&A") Expenses and Share-based compensation ("SBC")

For the three and nine months ended September 30, 2020 G&A expenses totaled $1.2 million and $3.9 million, compared to $1.3 million and $4.2 million for the same periods in 2019. In the second quarter Gear implemented compensation reductions of 20 per cent for all officers, employees and directors. For the third quarter, Gear received $0.4 million under the Canada Emergency Wage Subsidy program ("wage subsidy program"). This was off-set by one-time expenditures associated with the financial advisor which totaled $0.1 million. Effective July 2020, the Government of Canada made changes to the wage subsidy program and as a result, Gear expects to receive less funds for future claim periods. G&A on a per boe basis was $2.28 per boe and $2.80 per boe for the three and nine months ended September 30, 2020, representing increases of 12 per cent and 28 per cent over the same periods in 2019.

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

Table 10

G&A and SBC expense ($ thousands except per boe)	**Sep 30, 2020**	Three months ended Sep 30, 2019	% Change	Jun 30, 2020	**Sep 30, 2020**	Nine months ended Sep 30, 2019	% Change
G&A, before recoveries and capitalized G&A	**1,292**	1,844	(30)	1,016	**4,800**	5,658	(15)
Overhead recoveries	**(62)**	(145)	(57)	(54)	**(237)**	(371)	(36)
Capitalized G&A	**-**	(408)	(100)	-	**(635)**	(1,120)	(43)
G&A	**1,230**	1,291	(5)	962	**3,928**	4,167	(6)
SBC expense	**124**	77	61	135	**394**	507	(22)
G&A per boe	**2.28**	2.03	12	3.84	**2.80**	2.18	28
SBC expense per boe	**0.23**	0.12	91	0.54	**0.28**	0.27	6

SBC is related to the granting of stock options. There were 2.2 million options granted during the nine months ended September 30, 2020 at an average price of $0.29 and 2.8 million options expired at an average price of $1.39. As at September 30, 2020 a total of 14.7 million options with a weighted average exercise price of $0.53 per share were outstanding, representing approximately 7.0 per cent of the 216.5 million total common shares outstanding. Each option entitles the holder to acquire one Gear common share. As at December 31, 2019 a total of 15.3 million options were outstanding. For further information on Gear's stock options, see the notes to the Interim Condensed Consolidated Financial Statements.

Interest and financing charges
Interest and financing charges totaled $1.2 million and $2.7 million for the three and nine months ending September 30, 2020, a 22 per cent increase and 20 per cent decrease over the same periods in 2019. Gear's annualized borrowing costs, inclusive of financing charges and standby fees on its Credit Facilities approximated 6.1 per cent and 4.4 per cent for the three and nine months ended September 30, 2020. This compares to 4.7 per cent and 4.9 per cent for the same periods of 2019. 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. The increase in borrowing costs is due to increased rates as set out in the amended credit agreement, as well as higher margin and standby fee rates due to an increase in Gear's Senior Debt to EBITDA Ratio.

Table 11 is a breakdown of interest expense:

Table 11

Interest and financing charges	Three months ended				Nine months ended		
($ thousands except per boe)	**Sep 30, 2020**	Sep 30, 2019	% Change	Jun 30, 2020	**Sep 30, 2020**	Sep 30, 2019	% Change
Interest expense	**1,118**	899	24	617	**2,492**	3,157	(21)
Financing charges	**17**	34	(50)	29	**79**	77	3
Standby fees	**45**	33	36	33	**106**	131	(19)
Interest and financing charges	**1,180**	966	22	679	**2,677**	3,365	(20)
Interest and financing charges per boe	**2.19**	1.52	44	2.71	**1.91**	1.76	8

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 realized gains on risk management contracts of $2.9 million and $14.7 million for the three and nine months ended September 30, 2020 compared to a gain of $0.5 million and a loss of $0.7 million in the same periods in 2019. For the remainder of 2020, Gear has 3,200 boe/d hedged with an average WTI floor price of C$65.00 and an average WTI ceiling of C$81.75. For 2021, Gear has hedged 2,400 GJ/d of natural gas at an average AECO price of C$2.75/GJ. The fair value of these contracts at September 30, 2020 was $2.6 million. Gear continues to watch the forward curves on WTI carefully and will evaluate opportunities to enter into future hedging transactions for 2021.

Table 12 summarizes Gear's current hedged volumes:

Table 12

Financial WTI Crude Oil Contracts

Term		**Contract**	**Currency**	**Volume** bbl/d	**Sold Swap** $/bbl	**Sold Call** $/bbl	**Bought Put** $/bbl	**Sold Put** $/bbl
Oct 1, 2020	Dec 31, 2020	Collar	CAD	700	-	94.00	65.00	-
Oct 1, 2020	Dec 31, 2020	Three- way collar	CAD	400	-	75.40	65.00	55.00
Oct 1, 2020	Dec 31, 2020	Three- way collar	CAD	850	-	75.75	65.00	55.00
Oct 1, 2020	Dec 31, 2020	Three- way collar	CAD	1,250	-	81.00	65.00	55.00

Financial AECO Natural Gas Contracts

Term		**Contract**	**Currency**	**Volume** GJ/d	**Fixed Price** $/GJ
Jan 1, 2021	Dec 31, 2021	Swap	CAD	2,400	2.75

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

Depletion, Depreciation and Amortization Expense ("DD&A") and Impairment
DD&A during the third quarter of 2020 was $17.44 per boe compared to $20.05 per boe in the same period in 2019, representing a decrease of 13 per cent. Similarly, for the nine months ended September 30, 2020, the DD&A rate decreased 15 per cent over the same period in 2019. The reduction in the DD&A rate is the result of selling volumes from inventory that did not have any carrying value ascribed to them as a result of inventory impairments taken in the first quarter of 2020 and decreased production due to previously discussed market conditions.

Gear records its inventory at the lower of cost and net realizable value. At March 31, 2020 Gear recorded oil inventory at its net realizable value of $1.5 million and recognized an impairment on its inventory balance as a result in the amount of $4.3 million (2019 – nil). No additional impairments on inventory were recorded for the second or third quarter of 2020. For additional information see Note 3 "Inventory" in the notes to the Interim Condensed Consolidated Financial Statements.

At March 31, 2020, Gear recorded an impairment of $93.9 million (2019 – nil) on its three CGUs. An impairment of $27.4 million was recognized on Gear's heavy oil properties located in Eastern Alberta and Western Saskatchewan, which had a recoverable amount of $80.3 million using an after-tax discount rate of 13 per cent; an impairment of $20.7 million was recognized on Gear's light oil properties located in Western Alberta, which had a recoverable amount of $33.8 million using an after-tax discount rate of 13 per cent; and an impairment of $45.8 million was recognized on Gear's light oil properties located in Southeast Saskatchewan, which had a recoverable amount of $22.3 million using an after-tax discount rate of 11 per cent. No additional impairments or impairment recoveries were identified on Gear's three CGUs for the second or third quarter of 2020. For additional information see Note 4 "Property, Plant and Equipment" in the notes to the Interim Condensed Consolidated Financial Statements.

Table 13 is a breakdown of DD&A expenses and impairment:

Table 13

DD&A Rate	Three months ended				Nine months ended		
($ thousands except per boe)	**Sep 30, 2020**	Sep 30, 2019	% Change	Jun 30, 2020	**Sep 30, 2020**	Sep 30, 2019	% Change
DD&A	**9,413**	12,771	(26)	1,843	**23,603**	37,748	(37)
Total DD&A rate per boe	**17.44**	20.05	(13)	7.37	**16.82**	19.79	(15)
Impairment	**-**	-	-	-	**98,206**	-	100

Taxes
Deferred tax assets on the Condensed Consolidated Balance Sheet are recognized based on current tax pools less future taxable income based on estimates of the value of oil and gas reserves less estimates of tax deductions such as general and administrative and interest and financing charges. In 2020 $23.3 million in deferred tax assets were derecognized as estimated future taxable income no longer supported the recoverability of the deferred tax asset. At September 30, 2020 Gear's estimated tax pools were relatively unchanged from the $611.1 million at December 31, 2019. No cash income taxes were paid in 2020 and 2019.

Capital Expenditures, Acquisitions and Dispositions
Capital expenditures including acquisitions and dispositions for the three and nine months ended September 30, 2020 were $0.7 million and $12.1 million, compared to $11.9 million and $23.3 million in the same periods in 2019. During the first quarter, Gear successfully drilled nine gross (nine net) wells; seven heavy oil wells including four single lateral wells in Paradise Hill, two multi-lateral wells in Lindbergh and one single leg lined well in Frenchman's Butte in the Lloydminster area of Alberta; and two medium oil wells including one multi-stage fractured medium oil well in Killam and one multi-lateral well in Provost in east central Alberta. In response to the impacts of COVID-19 on the global economy, Gear reacted quickly and shut down its drilling rig in early March to reduce costs and as such, two of the four wells drilled in Paradise Hill were not completed or equipped until the third quarter. No additional wells have been drilled subsequent to March 2020.

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

Table 14

Capital expenditures	Three months ended				Nine months ended		
($ thousands)	**Sep 30, 2020**	Sep 30, 2019	% Change	Jun 30, 2020	**Sep 30, 2020**	Sep 30, 2019	% Change
Drilling and completions	**105**	9,472	(99)	342	**9,031**	17,874	(49)
Production equipment and facilities	**590**	2,305	(74)	(120)	**2,836**	5,766	(51)
Geological and geophysical	**3**	4	25	26	**40**	635	(94)
Undeveloped land purchased at crown land sales	**15**	15	-	23	**159**	86	85
Other	**2**	4	(50)	(32)	**(11)**	25	(144)
Total capital expenditures	**715**	11,800	(94)	239	**12,055**	24,386	(51)
Property acquisitions and dispositions, net [(1)]	**-**	115	(100)	-	**3**	(1,085)	(100)
Total capital expenditures and net acquisitions	**715**	11,915	(94)	239	**12,058**	23,301	(48)

(1) Includes post-closing adjustments

Decommissioning Liability

At September 30, 2020, Gear recorded a decommissioning liability of $85.0 million ($85.7 million at December 31, 2019) 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 used to calculate the undiscounted total future liability. The liability has been inflated at 1.11 per cent (1.76 per cent at December 31, 2019) and discounted using a risk free rate of 1.11 per cent (1.76 per cent at December 31, 2019). Some of the abandonment cost estimates are derived from third party government sources and can fluctuate from time to time. The decrease in liability is mainly the result of abandonment expenditures made during the year. Decommissioning liabilities settled in the nine months ended September 30, 2020 were $0.8 million. To the end of the third quarter of 2020 Gear abandoned 23 wells or 2.6 times the number of wells that were drilled during the year.

On April 17, 2020, the federal government announced that as part of its COVID-19 Economic Response Plan that it would provide $1.7 billion to clean up orphan and inactive wells in Alberta, Saskatchewan and British Columbia. Gear has been approved for a total of $2.2 million of this funding; $0.1 million in British Columbia, $0.6 million in Saskatchewan and $1.5 million in Alberta. A portion of the funding in Alberta comes as a 50% cost reimbursement for Gear's area-based closure ("ABC") in the Wildmere area. Based on timing to date, Gear does not anticipate the program spending to materially commence until 2021.

Capitalization, Financial Resources and Liquidity

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

Table 15

Debt ($ thousands except ratio amounts)	**Sep 30, 2020**	Dec 31, 2019
Net debt (1)	**60,544**	69,752
Net debt to quarterly annualized funds from operations (1)	**1.4**	1.3
Common shares outstanding	**216,490**	217,610

(1) Net debt 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".

Despite a significant drop in commodity prices and an aggressive shut-in of production throughout the second quarter, Gear was able to achieve a 14 per cent reduction in third quarter net debt over the second quarter of 2020 and a 13 percent reduction from December 31, 2019. This was achieved as a result of a strong 2020 risk management program, an aggressive and intentional reduction in capital expenditures, and strong funds from operations.

Credit Facilities

At September 30, 2020 Gear had a $42.5 million revolving term credit facility, a $20 million non-revolving term credit facility and a $7.5 million operating facility, (collectively, the "Credit Facilities"), totaling $70 million with a May 28, 2021 maturity date. The terms of the Credit Facilities were amended on July 10, 2020 as a result of the completion of the borrowing base review. Gear is required to make repayments of $5.0 million on December 31, 2020 and on March 31, 2021 against the non-revolving term credit facility. The Company made the required $5.0 million repayment on September 30, 2020, resulting in non-revolving term credit facility being reduced from $25 million to $20 million. At September 30, 2020 Gear had $58.0 million drawn on the Credit Facilities (December 31, 2019 – $64.3 million) and outstanding letters of credit of $1.6 million (December 31, 2019 – $0.8 million).

The Credit Facilities have the remaining fixed repayment terms outlined in Table 16:

Table 16

Date	**Repayment Amount ($MM)**	**Borrowing Base ($MM)**
December 31, 2020	5.0	$65.0
March 31, 2021	5.0	$60.0

The total stamping fees on the operating facility and revolving facility range, depend on Gear's Debt to EBITDA ratio, and range between 200 bps to 400 bps on Canadian bank prime borrowings and between 300 bps and 500 bps on US dollar denominated LIBOR loans and Canadian dollar bankers' acceptances. The undrawn portion of the operating facility and revolving facility is subject to a standby fee in the range of 75 bps to 125 bps. The total stamping fees on the non-revolving facility range, depending on Gear's Debt to EBITDA ratio, between 500 bps to 700 bps on Canadian bank prime borrowings and between 600 bps and 800 bps on US dollar denominated LIBOR loans and Canadian dollar bankers' acceptances. In addition, the adjusted working capital covenant has been removed, and there are no new financial covenants.

Gear's Credit Facilities are periodically reviewed by its lenders through scheduled borrowing base reviews at which time the facilities can be adjusted. In the event that the borrowing base is reduced below the amount drawn, Gear would have 30 days to eliminate the borrowing base shortfall by repaying the amount drawn in excess of the adjusted borrowing base. If this occurs, alternative external sources of funding will be necessary. After examining the economic factors that are causing the liquidity risk facing the Company, the judgment applied to these factors, and the various initiatives that the Company has and will undertake to strengthen its financial position, the Company believes it will have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months. There can be no assurance that future borrowing base reviews will not result in a material reduction in the borrowing base, and that the necessary funds will be available to meet Gear's obligations as they become due. In addition, there can be no assurances that Gear's credit facilities will be extended beyond the May 28, 2021 maturity date. The next borrowing base review is scheduled for November 30, 2020.

On April 17, 2020 the Government of Canada, through Export Development Canada ("EDC") and Business Development Bank of Canada ("BDC"), announced that it will make available financial liquidity support to Canada's oil and gas sector in order to help companies ensure a degree of continuity of operations during this period of uncertainty. Details on access to this capital have not yet been finalized but the early framework suggests that it will be in the form of either:

1. a partial guarantee of non-conforming credit facilities up to 75 per cent of the credit facilities to a maximum of $100 million; or
2. a bridge loan in the range between $15 million to $60 million.

Eligible companies must have been financially viable prior to COVID-19. The programs also include other stipulations and restrictions. Details on these programs continue to evolve and Gear continues to evaluate their applicability to the Company.

Convertible Debentures

The subordinated unsecured convertible debentures issued on November 30, 2015 (the "Convertible Debentures") have a maturity date of November 30, 2020 and carry a coupon of 4 per cent per annum with a single coupon payment remaining on November 30, 2020. 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.

As at September 30, 2020 and the date of this MD&A $13.2 million of Convertible Debentures were outstanding. Using the $0.87 conversion price, an aggregate of up to 15.2 million additional Gear common shares may be issued on conversion of the Convertible Debentures.

On October 27, 2020, Gear announced a proposal to amend and extend the convertible debentures. The revised terms are as follows:

Term:	3-year extension with the maturity date revised to November 30, 2023
Conversion:	Conversion price revised from $0.87 to $0.32 per common share
Coupon:	Interest rate revised from 4.0% to 7.0%
Payment-in-kind:	Gear has the option to pay interest in-kind for the period from December 1, 2020 to November 30, 2021 by issuing additional Convertible Debentures
Redemption:	Redeemable by the Company at any time by full repayment of the principal amount and all accrued interest owing

Beneficial owners who hold greater than 66 2/3% of the Convertible Debentures have agreed to the proposed terms. However, as the conversion of the amended Convertible Debentures could result in the issuance of greater than 10% of the issued and outstanding Gear common shares to beneficial owners who are deemed to be insiders, under the rules of the Toronto Stock Exchange (the "TSX") the amendment of the conversion price will require a simple majority approval of Gear shareholders (excluding the common shares held by such beneficial owners). Gear plans to hold a special meeting of its shareholders prior to December 31, 2020. In the event that shareholder approval is not received, the maturity date of the Convertible Debentures will be December 31, 2020 and, in those circumstances, Gear intends to repay the entire principal amount on December 31, 2020 by issuing common shares at 95% of Gear's weighted average trading price for the 20 consecutive trading dates ending 5 trading days prior to December 31, 2020. The amendments to the Convertible Debentures require the approval of the TSX and the lenders under the Credit Facilities.

For additional information regarding the Convertible Debentures see Note 6 "Convertible Debentures" and Note 15 "Subsequent Events" in the notes to the Interim Condensed Consolidated Financial Statements.

Shareholders' Equity

As at September 30, 2020, the terms under the Normal Course Issuer Bid ("NCIB") by the Toronto Stock Exchange ("TSX") have expired. The NCIB allowed 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. Purchases were 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 period ended September 30, 2020, 1.1 million common shares with an aggregate value of $0.5 million were repurchased, with all of the purchases occurring in the first quarter of 2020.

As at September 30, 2020 and as at the date hereof, Gear had 216.5 million common shares outstanding. At December 31, 2019 Gear had 217.6 million common shares outstanding. During the nine months ended September 30, 2020, 1.1 million common shares were repurchased for cancellation.

As at September 30, 2020, a total of 14.7 million options were outstanding with a weighted average exercise price of $0.53 per share and each option entitled the holder to acquire one Gear common share. Subsequent to September 30, 2020, 3.9 million options expired and 0.6 million options were forfeited, leaving a balance of 10.2 million options outstanding as at the date of this MD&A.

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 requirements 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. Gear continues to conserve natural gas from the majority of its new oil wells. 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. Gear has submitted its initial emissions reduction five-year plan which has been government approved. Gear anticipates meeting its 2020 emissions targets.

Social
Safety for Gear's workforce including contractors is paramount. Gear hosts monthly safety meetings for its field staff to review all safety protocols. To date in 2020, Gear has had zero recordable injuries and two near miss events. A near miss event is an incident that did not, but had the potential to, result in an injury. As a result of COVID-19, Gear has mandated its employees to work from home 50 per cent of the time where possible in order to maintain appropriate social distancing.

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, 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 Developed 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 Interim Condensed Consolidated Financial Statements.

In addition to the Credit Facilities, as at September 30, 2020, Gear had the following contractual commitments:

- lease agreements for its head office and its two field offices;
- one service commitment; 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 $1.6 million. The service commitment relates to a software agreement the expires in 2023 with a total commitment of $0.5 million. The drilling rig commitment expires December 31, 2020 with a total remaining commitment of

$0.2 million. For further information see Note 14 “Commitments and Contingencies” in the notes to the Interim Condensed Consolidated Financial Statements.

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 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 and repay debt. Funds from operations may not be comparable with the calculation of similar measures for other companies.

Table 17 below reconciles cash flows from operating activities to funds from operations:

Table 17

	Three months ended			Nine months ended	
($ thousands)	**Sep 30, 2020**	Sep 30, 2019	Jun 30, 2020	**Sep 30, 2020**	Sep 30, 2019
Cash flows from operating activities	**8,864**	13,613	3,547	**22,201**	38,475
Decommissioning liabilities settled	**87**	1,170	22	**779**	2,043
Change in non-cash working capital	**1,897**	1,185	4,499	**2,196**	7,586
Funds from operations	**10,848**	15,968	8,068	**25,176**	48,104

Net Debt
Net debt is a non-GAAP measure defined as debt plus Convertible Debentures less current working capital items (excluding debt, Convertible Debentures, 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 and equity issuances. Net debt may not be comparable with the calculation of similar measures for other companies.

Table 18

Capital Structure and Liquidity ($ thousands)	**Sep 30, 2020**	Dec 31, 2019
Debt	**57,965**	64,254
Convertible Debentures (at face value) (1)	**13,185**	13,204
Working capital (surplus) (2)	**(10,606)**	(7,706)
Net debt	**60,544**	69,752

(1) Excludes unamortized portion of issuance costs.
(2) Excludes risk management contracts, debt, convertible debentures and decommissioning liabilities.

At September 30, 2020, 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. After examining the economic factors that are causing the liquidity risk facing the Company, the judgment applied to these factors, and the various initiatives that the Company has and will undertake to strengthen its financial position, the Company believes it will have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months. There can be no assurance that future borrowing base reviews will not result in a material reduction in the borrowing base, and that the necessary funds will be available to meet its obligations as they become due.

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 has used the weighted average share price during the period. Gear has now changed the price calculation to a ten-day volume weighted average price ending at the end of the period as 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 19 below reconciles the debt adjusted shares:

Table 19

	Three months ended			Nine months ended	
(thousands, except per share amounts)	**Sep 30, 2020**	Sep 30, 2019	Jun 30, 2020	**Sep 30, 2020**	Sep 30, 2019
Weighted average basic shares	**216,490**	219,084	216,486	**216,563**	219,063
Average share price (1)	**0.16**	0.49	0.22	**0.16**	0.59
Average net debt (2)	**65,361**	70,982	75,219	**65,148**	80,873
Share equivalent on average net debt (3)	**408,503**	144,861	341,905	**407,175**	137,073
Debt adjusted shares	**624,993**	363,945	558,391	**623,738**	356,136

(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 nine months ended.
(3) Share equivalent on average net debt obtained by average net debt divided by average share price.

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 and repay debt. 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.

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.

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 September 30, 2020, 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”).

There were no changes in Gear’s ICFR during the three months ended September 30, 2020 that materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

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: expectation the majority of Gear's wells to be producing by the third quarter; expectations of minimal This MD&A 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 MD&A contains forward-looking information and statements pertaining to the following: Gear's strategy for delivering per share growth and enhanced returns; expectations of minimal capital spending for the remainder of 2020; the intent to continue to focus on protection and improvement of the balance sheet; the expectation that Gear will ample liquidity under the amended Credit Facilities for the remainder of 2020; full year 2020 guidance including expected annual average production (including commodity weightings), expected royalty rate, expected operating and transportation costs, expected general and administrative costs, expected interest expense and expected capital and abandonment expenditures; Gear’s expected abandonment and reclamation liabilities; Gear's expectation on the timing for spending in relation to the area based closure in the Wildmere area; the intent of Gear to remain flexible and opportunistic and to manage production to maximize the value of each barrel sold; the expected terms relating to the amendment and extension of the Convertible Debentures; the expected timing of seeking shareholder approval for the amendment to the Convertible Debentures; the expectation that if shareholder approval is not received Gear will repay the principal amount of the Convertibles Debentures on December 31, 2020 by issuing common shares; Gear's plans and expectations with respect to meeting certain methane and other emissions targets; Gear's expectation that it will have sufficient liquidity to support its operations and meet its financial obligations over the short-term; Gear's expectations with respect to the effect that various environmental regulations may have on its operations; the expectation of Gear's financial commitments under contractual commitments; and Gear's expectation that current litigation will not have a material impact on Gear's financial position or results of operations.

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: the continued impact of the COVID-19 pandemic; 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 or demand repayment under the Credit Facilities; any ability for Gear to repay any of its indebtedness when due; the failure to receive shareholder, lender or TSX approval for the amendment and extension of the Convertible Debentures; 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.

QUARTERLY HISTORICAL REVIEW

	2020			2019				2018
(Cdn$ thousands, except per share, share, and per boe amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
FINANCIAL								
Petroleum and natural gas sales	21,054	5,188	19,171	30,396	32,459	37,297	31,837	17,408
Funds from operations (1)	10,848	8,068	6,258	13,738	15,968	17,104	15,032	2,089
Per weighted average basic share	0.05	0.04	0.03	0.06	0.07	0.08	0.07	0.01
Per weighted average diluted share	0.05	0.04	0.03	0.06	0.07	0.07	0.07	0.01
Cash flows from operating activities	8,864	3,547	9,788	11,401	13,613	18,881	5,981	1,538
Per weighted average basic share	0.04	0.02	0.05	0.05	0.06	0.09	0.03	0.01
Per weighted average diluted share	0.04	0.02	0.05	0.05	0.06	0.08	0.03	0.01
Net (loss) income	(1,157)	(5,300)	(110,215)	(8,045)	3,493	5,684	(6,812)	10,553
Per weighted average basic share	(0.01)	(0.02)	(0.51)	(0.04)	0.02	0.03	(0.03)	0.05
Per weighted average diluted share	(0.01)	(0.02)	(0.51)	(0.04)	0.02	0.02	(0.03)	0.05
Capital expenditures	715	239	11,099	12,603	11,800	3,334	9,252	9,482
Decommissioning liabilities settled	87	22	671	889	1,170	474	399	1,401
Net acquisitions (dispositions) (2)	-	-	3	109	115	(162)	(1,038)	302
Net debt (1) (3)	60,544	70,177	80,261	69,752	69,837	72,127	85,740	91,908
Weighted average shares outstanding, basic (thousands)	216,490	216,486	216,715	218,365	219,084	219,093	219,016	219,013
Weighted average shares outstanding, diluted (thousands)	216,490	216,486	216,715	218,365	234,646	234,780	219,016	234,794
Shares outstanding, end of period (thousands)	216,490	216,490	216,468	217,610	218,873	219,093	219,044	219,015
OPERATING								
Production								
Heavy oil (bbl/d)	3,321	1,388	3,989	4,034	3,929	4,104	4,148	4,064
Light and medium oil (bbl/d)	1,746	845	1,775	1,763	2,059	2,166	1,863	1,834
Natural gas liquids (bbl/d)	174	103	217	269	218	228	235	267
Natural gas (mcf/d)	3,761	2,474	4,582	4,935	4,295	3,977	3,787	4,091
Total (boe/d)	5,868	2,749	6,744	6,888	6,922	7,161	6,877	6,847
Average prices								
Heavy oil ($/bbl)	40.27	20.46	27.58	49.17	52.93	60.45	52.89	22.45
Light and medium oil ($/bbl)	47.61	24.91	50.44	64.82	65.88	71.60	63.64	46.68
Natural gas liquids ($/bbl)	20.30	25.73	10.54	22.79	26.70	13.11	26.40	23.95
Natural gas ($/mcf)	2.25	1.98	1.93	2.36	0.79	0.92	2.40	1.45
Selected financial results ($/boe)								
Commodity and other sales	39.00	20.74	31.24	47.97	50.97	57.23	51.44	27.64
Royalties	(3.48)	(1.38)	(3.66)	(5.52)	(6.06)	(6.87)	(4.33)	(3.44)
Operating costs	(13.60)	(14.51)	(15.93)	(15.77)	(15.10)	(15.83)	(16.43)	(14.96)
Transportation costs	(2.71)	(1.92)	(2.08)	(2.16)	(2.10)	(2.25)	(2.30)	(2.17)
Operating netback (1)	19.21	2.93	9.57	24.52	27.71	32.28	28.38	7.07
Realized risk management gain (loss)	5.35	35.85	4.57	0.58	0.80	(1.65)	(0.16)	(0.90)
General and administrative	(2.28)	(3.84)	(2.77)	(2.13)	(2.03)	(2.47)	(2.04)	(1.18)
Interest	(2.19)	(2.71)	(1.33)	(1.30)	(1.52)	(1.90)	(1.88)	(1.50)
Transaction costs	-	-	-	-	-	-	(0.01)	(0.19)
Realized gain (loss) on foreign exchange	-	0.03	0.16	0.01	0.11	(0.01)	-	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 are the result of both the amount of oil volumes sent to sale as well as Gear's received price. In particular, Gear implemented partial production shut-in for the periods April 2020 to July 2020. 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.

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