GEAR ENERGY

NEWS RELEASE

GEAR ENERGY LTD. ANNOUNCES THIRD QUARTER 2020 OPERATING RESULTS

CALGARY, ALBERTA (November 4, 2020) Gear Energy Ltd. ("Gear" or the "Company") (TSX:GXE) is pleased to provide the following third quarter operating update to shareholders. Gear's Interim Condensed Consolidated Financial Statements and related Management's Discussion and Analysis ("MD&A") for the period ended September 30, 2020 are available for review on Gear's website at www.gearenergy.com and on www.sedar.com.

Financial Summary

	Three months ended			Nine months ended	
(Cdn$ thousands, except per share, share and per boe amounts)	**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
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 ($/boe)					
Commodity and other sales	**39.00**	50.97	20.74	**32.36**	53.26
Royalties	**(3.48)**	(6.06)	(1.38)	**(3.18)**	(5.78)
Operating costs	**(13.60)**	(15.10)	(14.51)	**(14.78)**	(15.78)
Transportation costs	**(2.71)**	(2.10)	(1.92)	**(2.29)**	(2.22)
Operating netback (1)	**19.21**	27.71	2.93	**12.11**	29.48
Realized risk management gain (loss)	**5.35**	0.80	35.85	**10.45**	(0.35)
General and administrative	**(2.28)**	(2.03)	(3.84)	**(2.80)**	(2.18)
Interest	**(2.19)**	(1.52)	(2.71)	**(1.91)**	(1.76)
Transaction costs	**-**	-	-	**-**	-
Realized gain on foreign exchange	**-**	0.11	0.03	**0.07**	0.03
TRADING STATISTICS					
($ 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.

MESSAGE TO SHAREHOLDERS

Through the third quarter of 2020, Gear successfully restarted the majority of production that was shut in during the second quarter. With improving prices, and no challenges in restarting production, Gear was able to deliver its highest quarterly funds from operations so far this year. A total of $10.8 million of funds from operations was predominantly derived from organic operations with a much smaller impact from risk management gains as compared to the second quarter. These strong funds from operations in the third quarter enabled a 14 per cent reduction in outstanding net debt through the quarter, yielding a strong net debt to funds from operations ratio of 1.4 times.

Despite the volatile market that currently exists, the Gear team has continued to act quickly and to successfully focus on the business fundamentals, including the target of further strengthening the balance sheet.

QUARTERLY HIGHLIGHTS

- In April, Gear began to shut-in production as a result of a sharp decrease in commodity prices. In addition, oil was inventoried with the expectation that pricing would recover. In June, Gear commenced a partial restart of production and reached full productive capacity in August. As such, production for the third quarter was 5,868 boepd or a 113 per cent increase from the second quarter. For the third quarter, Gear sold 284 barrels per day of oil production that had been previously stored in inventory. Two new heavy oil wells were also brought on production in August that had been drilled in the first quarter in Paradise Hill.

- Funds from operations for the third quarter of $10.8 million was an increase of 34 per cent from the second quarter of 2020 as a result of higher volumes and higher pricing. Gear also recognized hedging gains of $2.9 million in the third quarter.

- Despite Gear not producing at full productive capacity for the entire third quarter and WTI averaging only US$40.93 per barrel, net debt decreased by $9.6 million or 14 per cent from the second quarter to the third quarter of 2020. This balance sheet improvement was accomplished primarily as a result of funds from operations being applied against debt while incurring minimal capital and abandonment expenditures for the third quarter. Third quarter net debt to quarterly annualized funds from operations was 1.4 times. On September 30, 2020, Gear had drawn $58.0 million of bank debt on its $70 million Credit Facilities. Gear is anticipating additional debt reduction for the fourth quarter.

- Operating costs before transportation decreased from $14.51 per boe in the second quarter to $13.60 per boe in the third quarter primarily as a result of the reactivation of production. Transportation per boe increased from $1.92 per boe in the second quarter to $2.71 per boe in the third quarter as a result of Gear having to truck further distances to market. This additional transportation cost was offset by a greater increase in received price.

- Gear has proposed an amendment and extension to its $13.2 million outstanding convertible debentures. These proposed amendments include the following:

  - Extension of the maturity date from November 30, 2020 to November 30, 2023
  - Increase in the coupon rate from 4.0 per cent to 7.0 per cent
  - A change to the conversion price of $0.87 to $0.32 per Gear common share
  - The option to pay interest in-kind for the period from December 1, 2020 to November 30, 2021 by issuing additional Convertible Debentures
  - Redeemable by Gear at any time by full repayment of the principal and all accrued interest

  The proposal will be subject to approval of the Toronto Stock Exchange (“TSX”), and Gear’s lenders and shareholders. A special meeting of Gear’s shareholders is expected to be held prior to December 31, 2020. In the event that approvals are not received, Gear will be required to repay the outstanding amounts on December 31, 2020 and intends to do so by issuing common shares at an issue price equal to 95 per cent of the volume weighted average trading price of the common shares on the TSX for the 20 trading days ending five trading days prior to December 31, 2020.

- During the second quarter of 2020 Gear had 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.

PROVOST DISCOVERY

- In the first quarter of 2020, Gear drilled a successful multi-leg Sparky horizontal unlined discovery well in a new area in Provost, Alberta on an eight section block of land. The well has recovered approximately 35 mboe to date (91% liquids, consisting of 26.5 API medium oil) at a surface equipment restricted rate. Gear anticipates significant future development potential with this discovery on both primary and secondary recovery schemes. With future wells expected to cost between $0.9 million to $1.2 million depending on the well design, Gear estimates drilling locations to have a break-even price between US$28 and US$32 WTI. Although a 2021 budget forecast has not yet been compiled in detail, Gear anticipates that Provost development will feature significantly in any future plans.

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 expectation that a shareholder meeting will be held prior to December 31, 2020, the expected terms of the amendments to the convertible debentures; Gear's intent to issue common shares to repay the principal amount of the convertible debentures if shareholder approval is not received; future potential in Provost on both primary and secondary recovery schemes; the cost of future wells in Provost; the break-even price of Provost wells; and Provost development plans.

The forward-looking information and statements contained in this press release 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 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 continuing 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 borrowing capacity or require repayment under its credit facilities; any inability for Gear to repay any of its indebtedness when due; failure to receive shareholder, lender or TSX approval for the amendment to 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 in Gear'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 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.

NON-GAAP Measures

This press release contains the terms funds from operations, net debt and operating netback, which do not have standardized meanings under Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. Management believes that these key performance indicators and benchmarks are key measures of financial performance for Gear and provide investors with information that is commonly used by other oil and gas companies. Funds from operations is calculated as cash flow from operating activities before changes in noncash operating working capital and decommissioning liabilities settled. Net debt is calculated as debt less current working capital items, excluding risk management contracts. Operating netbacks are presented both before and after taking into account the effects of hedging and are calculated based on the amount of revenues received on a per unit of production basis after royalties and operating costs. Additional information relating to certain of these non-GAAP measures, including the reconciliation between funds from operations and cash flow from operating activities, can be found in the MD&A.

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 do 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.

Initial Production Rates

Any references in this document to initial production (or IP) rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for Gear.

FOR FURTHER INFORMATION PLEASE CONTACT:

Ingram Gillmore
President & CEO
403-538-8463
Email: info@gearenergy.com
Website: www.gearenergy.com

David Hwang
Vice President Finance & CFO
403-538-8437