



For Immediate Release

Calgary, Alberta, December 17, 2020

GEAR ENERGY LTD. PROVIDES 2021 BUDGET GUIDANCE, UPDATE TO CREDIT FACILITIES AND CONCLUSION OF STRATEGIC ALTERNATIVES PROCESS

Gear Energy Ltd. ("**Gear**") (TSX: GXE) is pleased to announce that its Board of Directors have approved a \$20 million capital budget for 2021 targeting stabilized production and continued improvement of the strong balance sheet.

Gear is also pleased to announce that the lenders under Gear's syndicated credit facilities have completed the most recent borrowing base redetermination with the combined total capacity essentially unchanged at \$70 million. The maturity date of the credit facilities has been extended to May 27, 2022 and Export Development Canada ("EDC") has been added to the syndicate of lenders.

In addition, Gear has terminated the previously disclosed strategic alternative process.

2021 BUDGET DETAILS

- \$15.8 million focused on drilling 18 locations (17.5 net) including 14 Lloydminster area heavy oil wells, three Provost medium oil wells, and 1 gross (0.5 net) Southeast Saskatchewan light oil well
- \$2.0 million invested in continued waterflood expansions, recompletions, workovers and field facility projects
- \$1.1 million directed to abandonment and reclamation activities (to be combined with a minimum of an additional \$1.1 million of Federal Government funding)
- \$1.1 million towards land, seismic and other corporate costs

The budget is forecast to deliver the following results:

	2021 Guidance
Annual Production (boe/d)	5,400 – 5,500
Heavy Oil Weighting (%)	55
Light/Medium Oil & NGL Weighting (%)	33
Royalties (%)	11
Operating plus Transportation Costs (\$/boe)	18.00
General and Administrative Costs (\$/boe)	2.15
Cash Interest Costs (\$/boe)	1.50
Capital and Abandonment Expenditures (\$ million)	20

The 2021 budget was modelled with a price forecast of WTI US\$45/bbl, WCS differential of US\$14/bbl, MSW and LSB differentials of US\$5/bbl, AECO gas price of C\$2.25/GJ and a foreign exchange of US\$0.78/CDN\$1.00. Under these assumptions, Gear is forecast to deliver:

- Stabilized annual production of 5,400 to 5,500 boe per day with 55 per cent of the production from heavy oil and 33 per cent of the production from light/medium oil and NGLs
- Funds from Operations that exceed the \$20 million capital budget, with excess funds from operations expected to further reduce debt and contribute to Gear's strong balance sheet
- Continued improvement of Gear's environmental footprint with planned well abandonments along with multiple lease and facility reclamations. To date, Gear has confirmed government grant funding of \$2.2 million and expects to participate in additional grant funding in 2021 under the Federal Site Rehabilitation Program as managed by various provincial governments

In the event that commodity prices in 2021 exceed the estimated levels, the Gear team would look to balance the incremental funds from operations between further balance sheet enhancement and accelerated development of the extensive inventory of core area drilling and waterflood opportunities.

CREDIT FACILITIES UPDATE

Gear has received approval for the extension of its syndicated credit facilities maturity date to May 27, 2022 with a borrowing base of \$70 million. Similar to the previous renewal, the borrowing base will be reduced by successive \$5 million increments on both December 31, 2020 and March 31, 2021. Gear expects to exit 2020 with approximately \$50 million in bank debt and anticipates that the Company will have ample liquidity to execute on the proposed 2021 budget. In addition, Gear would like to welcome EDC to its lending syndicate. The next semi-annual borrowing base redetermination is scheduled for May 31, 2021.

STRATEGIC PROCESS UPDATE

In August 2020, Gear announced that it had engaged a financial advisor to consider a number of possible strategic alternative transactions to improve liquidity, provide additional flexibility, and enhance shareholder value. Although the Gear team will continue to proactively evaluate any strategic opportunities to enhance shareholder value beyond traditional organic development, the formal process has now been concluded.

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 intent of the 2021 capital expenditure budget to target stabilized production and continued improvement of Gear's strong balance sheet; expected details of the 2021 capital budget including expected capital expenditures, abandonment and reclamation expenditures and land, seismic

and other capital costs; expected government funding to be received for abandonment and reclamation activities; guidance relating to the 2021 budget including expected average production and commodity weighting, royalties, operating and transportations costs, general and administrative costs, cash interest costs and capital and abandonment expenditures; the expectation that funds from operations will exceed the capital budget, with excess funds from operations expected to further reduce debt and contribute to Gear's strong balance sheet; if commodity prices improve, the intent of the Gear team to look to balance the incremental funds from operations between further balance sheet enhancement and accelerated development of the extensive inventory of core area drilling and waterflood opportunities; the expectation that Gear will have ample liquidity to execute on the proposed 2021 budget; the expected exit 2020 bank debt of approximately \$50 million; and the intent to continue to proactively evaluate any strategic opportunities to enhance shareholder value beyond traditional organic development. 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: any restrictions on operations resulting from the COVID-19 pandemic; any destruction in demand resulting from 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; 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; the risk that Gear's lenders take actions that reduce availability of, or require repayment of, borrowings under Gear's credit facilities; 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 term funds from operations, which does not have a standardized meaning 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 this key performance indicator and benchmark is a key measure 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 flows from operating activities before changes in non-cash operating working capital and decommissioning liabilities settled. For additional information on the use of this measures including reconciliations to the most directly comparable GAAP measures, if any, and their pertinent relevance, please see Gear's most recent Management's Discussion and Analysis on Gear's profile at www.sedar.com.

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.