FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Cdn$ thousands, except per share, share and per boe amounts)	Three months ended **Jun 30, 2021**	Jun 30, 2020	Mar 31, 2021	Six months ended **Jun 30, 2021**	Jun 30, 2020
FINANCIAL					
Funds from operations (1)	**12,222**	8,068	8,253	**20,475**	14,328
Per boe	**24.69**	32.26	17.19	**21.00**	16.59
Per weighted average basic share	**0.05**	0.04	0.04	**0.09**	0.07
Cash flows from operating activities	**14,967**	3,547	9,892	**24,859**	13,337
Per boe	**30.24**	14.18	20.60	**25.49**	15.44
Net (loss) income	**(730)**	(5,300)	(3,497)	**(4,227)**	(115,516)
Per weighted average basic share	**-**	(0.02)	(0.02)	**(0.02)**	(0.53)
Capital expenditures	**5,809**	239	7,883	**13,692**	11,340
Decommissioning liabilities settled (2)	**694**	22	1,437	**2,131**	692
Net acquisitions (dispositions) (3)	**-**	-	-	**-**	3
Net debt (1)	**33,418**	70,177	42,929	**33,418**	70,177
Weighted average shares, basic (thousands)	**247,415**	216,486	221,090	**234,325**	216,600
Shares outstanding, end of period (thousands)	**258,103**	216,490	247,415	**258,103**	216,490
OPERATING					
Production					
Heavy oil (bbl/d)	**3,207**	1,388	3,026	**3,117**	2,688
Light and medium oil (bbl/d)	**1,469**	845	1,513	**1,491**	1,310
Natural gas liquids (bbl/d)	**148**	103	121	**135**	160
Natural gas (mcf/d)	**3,694**	2,474	4,043	**3,868**	3,528
Total (boe/d)	**5,440**	2,749	5,335	**5,388**	4,746
Average prices					
Heavy oil ($/bbl)	**62.14**	20.46	51.58	**57.05**	25.74
Light and medium oil ($/bbl)	**74.72**	24.91	63.16	**68.89**	42.20
Natural gas liquids ($/bbl)	**34.40**	25.73	42.61	**38.08**	15.45
Natural gas ($/mcf)	**3.15**	1.98	3.05	**3.10**	1.95
Netback ($/boe)					
Petroleum and natural gas sales	**59.90**	20.74	50.46	**55.25**	28.20
Royalties	**(6.64)**	(1.38)	(4.77)	**(5.71)**	(3.00)
Operating costs	**(16.66)**	(14.51)	(17.51)	**(17.08)**	(15.52)
Transportation costs	**(2.06)**	(1.92)	(2.01)	**(2.04)**	(2.03)
Operating netback (1)	**34.54**	2.93	26.17	**30.42**	7.65
Realized risk management (loss) gain	**(5.55)**	35.85	(4.55)	**(5.06)**	13.63
General and administrative	**(2.66)**	(3.84)	(2.37)	**(2.52)**	(3.08)
Interest	**(1.39)**	(2.71)	(1.96)	**(1.67)**	(1.73)
Realized (loss) gain on foreign exchange	**(0.24)**	0.03	(0.10)	**(0.17)**	0.12
TRADING STATISTICS					
($ based on intra-day trading)					
High	**1.01**	0.28	0.64	**1.01**	0.50
Low	**0.46**	0.09	0.25	**0.25**	0.08
Close	**0.85**	0.21	0.50	**0.85**	0.21
Average daily volume (thousands)	**3,019**	571	1,307	**2,181**	723

(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) Decommissioning liabilities settled includes expenditures made by both Gear and the Federal Site Rehabilitation Program.

(3) Net acquisitions (dispositions) exclude non-cash items for decommissioning liability and deferred taxes and are net of post-closing adjustments.

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 July 29, 2021 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements as at and for the six months ended June 30, 2021 and the audited Consolidated Financial Statements as at and for the year ended December 31, 2020. 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 Information and 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 29 employees with 18 staff in the Calgary office and 11 employees located in Gear's operating areas in Alberta and Saskatchewan. Gear also has a number of contractors in the Calgary office, and contract operators in the field. The Company trades on the Toronto Stock Exchange under the symbol GXE and on the OTCQX under the symbol GENGF.

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

With the world economy now starting to re-open from COVID-19, oil demand appears to be exceeding supply. The latest US Energy Information Administration inventory report dated July 28, 2021 showed that US crude oil inventory levels were a staggering 101 million barrels lower than one year prior. As a result, West Texas Intermediate ("WTI") prices are continuing to show strength as the year progresses. Prices are currently averaging US$72 per barrel, a modest increase compared to the second quarter 2021 average of US$66 per barrel. Both numbers are a dramatic improvement over a year ago when second quarter 2020 WTI oil prices averaged only US$28 per barrel, a record low for Gear. The outlook for the remainder of 2021 continues to look strong with the second half predicted to have continual debt repayments, production growth, and material free funds from operations. Using current forward strip prices, net debt is forecasted to be approximately $12 million by the end of 2021. In addition to the balance sheet strengthening, Gear is forecasting fourth quarter 2021 production to be approximately 5,900 boe per day or an eight per cent growth from the second quarter 2021 production as a result of a robust 2021 drilling program. With material amounts of free funds from operations, Gear continues to weigh the various opportunities to increase shareholder value. The options currently include the potential declaration of dividends, increased organic growth, acquisitions, and/or share buybacks.

In June, Gear completed its annual borrowing base redetermination for its Credit Facilities (as defined below) along with an extension of the maturity date to May 27, 2023. Over the last year and a half, Gear has focused on substantially improving its balance sheet. This has translated to continuous and significant debt reductions. The next borrowing base redetermination has been scheduled for November 30, 2021.

During the second quarter of 2020, Gear had voluntarily shut-in the majority of the Company's production due to the material drop in pricing. Late into June 2020, Gear had initiated a gradual production re-start across the majority of its fields. As a result, operating results vary dramatically year over year. For the purpose of this MD&A, many of the comparative variances can be explained by the reduced production in the comparable period in the prior year.

2021 GUIDANCE

Table 1

	2021 Guidance	Q2 2021 YTD Actuals
Annual production (boe/d)	**5,500 – 5,600**	5,338
Heavy oil weighting (%)	**56**	58
Light/Medium oil and NGLs weighting (%)	**32**	30
Royalty rate (%)	**10**	10
Operating and transportation costs ($/boe)	**18.00**	19.12
General and administrative expense ($/boe)	**2.40**	2.52
Interest expense ($/boe)	**1.30**	1.67
Capital and abandonment expenditures ($ millions)	**27**	14

Gear remains committed to achieve the guidance as disclosed in Q1 2021.

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				Six months ended		
	Jun 30, 2021	Jun 30, 2020	% Change	Mar 31, 2021	**Jun 30, 2021**	Jun 30, 2020	% Change
Funds from operations per debt adjusted share (1)	**0.039**	0.014	179	0.026	**0.065**	0.027	141
Cash flows from operating activities per debt adjusted share (1)	**0.048**	0.006	700	0.031	**0.078**	0.025	212
Production, boepd per debt adjusted thousand shares (1)	**0.017**	0.005	240	0.017	**0.017**	0.009	89

(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*".

2021 SECOND QUARTER FINANCIAL AND OPERATIONAL RESULTS

Funds from Operations and Cash Flows from Operating Activities

Funds from operations increased from $8.1 million or $32.26 per boe in the second quarter of 2020 to $12.2 million or $24.69 per boe in the second quarter of 2021. On a year to date basis funds from operations increased from $14.3 million and $16.59 per boe in 2020 to $20.5 million and $21.00 per boe in 2021. The increases in funds from operations are the result of increased revenues due to higher realized commodity prices and increased sales volumes offset by increased operating, transportation and general and administrative costs, increased royalties, interest, risk management losses and realized foreign exchange losses. Quarter over quarter, funds from operations increased from $8.3 million or $17.19 per boe to $12.2 million or $24.69 per boe mainly as a result of increased realized commodity pricing.

The following table details the change in funds from operations for 2021 relative to 2020:

Table 3

	Three months ended Jun 30		Six months ended Jun 30	
	$ thousands	$/boe	$ thousands	$/boe
Q2 2020 Funds from operations (1)	8,068	32.26	14,328	16.59
Volume variance	5,079	-	3,140	-
Price variance	19,382	39.15	26,376	27.05
Risk management contracts	(11,715)	(41.40)	(16,710)	(18.69)
Royalties	(2,940)	(5.26)	(2,982)	(2.72)
Expenses:				
Operating and transportation	(5,159)	(2.29)	(3,480)	(1.56)
General and administrative	(354)	1.19	206	0.56
Interest	(10)	1.32	(132)	0.06
Realized foreign exchange	(129)	(0.28)	(271)	(0.29)
Q2 2021 Funds from operations (1)	12,222	24.69	20,475	21.00

(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 increased from $3.5 million or $14.18 per boe in the second quarter of 2020 to $15.0 million or $30.24 per boe in the second quarter of 2021. On a year to date basis, cash flows from operating activities increased from $13.3 million or $15.44 per boe to $24.9 million or $25.49 per boe. The increases in cash flows from operating activities are the result of increased revenues due to higher realized commodity prices, and increased sales volumes offset by increased operating, transportation and general and administrative costs, increased royalties, interest, risk management losses and realized foreign exchange losses. In 2021, most of the abandonment activities performed were funded under the federal government's Site Rehabilitation Program and do not affect cash flows from operating activities.

Net loss

For the quarter and six months ended June 30, 2021, Gear generated net losses of $0.7 million and $4.2 million compared to a net loss of $5.3 million and $115.5 million for same periods in 2020. The changes in net income are due to reduced sales due to shut-in production and an impairment recorded in the first quarter of 2020 as well as several factors discussed below.

Production

For the quarter and six months ended June 30, 2021, sales production volumes averaged 5,440 and 5,388 boe per day compared to 2,749 and 4,746 boe per day in the same periods in 2020. As mentioned previously, during the second quarter of 2020, Gear had shut-in the majority of production as a result of low commodity prices. In the second quarter of 2021 Gear drilled 2.0 net wells, of which 1 was brought on production in the period. Year to date, Gear has drilled 12.3 net wells, of which almost all are on production. For the quarter ended, June 30, 2021, the new wells contributed an aggregate of approximately 552 boe per day and continue to be optimized. These additional volumes from the new wells were offset by natural declines on base production and operational issues in Killam. In the first quarter 2021, the Alberta Energy Regulator suspended the operations of SanLing Energy, which operated a gas gathering facility for Gear's Killam oil field. As a result, Gear has been forced to curtail production by approximately 200 boe per day from April to July. Gear constructed an alternative gas conservation solution and sales volumes are expected to recover in the third quarter of 2021.

Despite road bans, Gear delivered forecasted field production. As a result, Gear had a minor inventory draw of 80 boe per day over the first quarter of 2021. Gear has approximately 141 thousand barrels of oil in inventory as at June 30, 2021.

Table 4

	Three months ended				Six months ended		
Production	**Jun 30, 2021**	Jun 30, 2020	% Change	Mar 31, 2021	**Jun 30, 2021**	Jun 30, 2020	% Change
Liquids (bbl/d)							
Heavy oil (bbl/d)	**3,207**	1,388	131	3,026	**3,117**	2,688	16
Light and Medium oil (bbl/d)	**1,469**	845	74	1,513	**1,491**	1,310	14
Natural gas liquids (mcf/d)	**148**	103	44	121	**135**	160	(16)
Total liquids (bbl/d)	**4,824**	2,336	107	4,660	**4,743**	4,158	14
Natural gas (mcf/d)	**3,694**	2,474	49	4,043	**3,868**	3,528	10
Total production (boe/d) (1)	**5,440**	2,749	98	5,335	**5,388**	4,746	14
% Liquids production	**89**	85	4	87	**88**	88	-
% Natural gas production	**11**	15	(25)	13	**12**	12	-

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

Petroleum and natural gas sales ("Sales")

For the quarter and six months ended June 30, 2021, sales of crude oil, natural gas and natural gas liquids totaled $29.7 million and $53.9 million, a 472 and 121 per cent increase over $5.2 million and $24.4 million for the same periods in 2020. These increases are the result of higher realized commodity prices and shut-in production as previously described. Quarter over quarter, sales increased to $29.7 million from $24.2 million in the first quarter of 2021 mainly as a result of higher realized pricing.

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

Table 5

Sales by product	Three months ended				Six months ended		
($ thousands)	**Jun 30, 2021**	Jun 30, 2020	% Change	Mar 31, 2021	**Jun 30, 2021**	Jun 30, 2020	% Change
Heavy oil	**18,138**	2,583	602	14,051	**32,189**	12,593	156
Light and medium oil	**9,990**	1,916	421	8,601	**18,591**	10,063	85
Natural gas liquids	**464**	242	92	465	**929**	450	106
Natural gas	**1,059**	447	137	1,109	**2,168**	1,253	73
Total petroleum and natural gas sales	**29,651**	5,188	472	24,226	**53,877**	24,359	121

Commodity Prices

Table 6

Average Benchmark Prices	Three months ended Jun 30, 2021	Jun 30, 2020	% Change	Mar 31, 2021	Six months ended Jun 30, 2021	Jun 30, 2020	% Change
WTI oil (US$/bbl) (1)	**66.07**	27.85	137	57.84	**61.96**	37.01	67
WCS heavy oil (Cdn$/bbl) (2)	**67.02**	22.69	195	57.45	**62.31**	28.66	117
Canadian Light Sweet (3) (Cdn$/bbl)	**77.30**	30.07	157	66.61	**72.03**	41.12	75
LSB (Cdn$/bbl) (4)	**77.00**	29.93	157	66.89	**72.02**	40.93	76
AECO natural gas ($/mcf) (5)	**2.94**	1.99	48	3.16	**3.07**	2.03	51
Cdn$ / US$ exchange rate	**1.23**	1.39	(12)	1.27	**1.25**	1.36	(8)
Gear Realized Prices							
Heavy oil ($/bbl)	**62.14**	20.46	204	51.58	**57.05**	25.74	122
Light and medium oil ($/bbl)	**74.72**	24.91	200	63.16	**68.89**	42.20	63
Natural gas liquids ($/bbl)	**34.40**	25.73	34	42.61	**38.08**	15.45	146
Natural gas ($/mcf)	**3.15**	1.98	59	3.05	**3.10**	1.95	59
Weighted average, before risk management contracts ($/boe)	**59.90**	20.74	189	50.46	**55.25**	28.20	96
Realized risk management (loss) gain ($/boe)	**(5.55)**	35.85	(115)	(4.55)	**(5.06)**	13.63	(137)
Weighted average, after risk management contracts ($/boe)	**54.35**	56.59	(4)	45.91	**50.19**	41.83	20

(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 second quarter of 2021, US$ denominated WTI prices increased by 137 per cent over the same period in 2020, the WCS differential was flat from US$11.47 per barrel to US$11.49 per barrel, the Canadian Light Sweet differential narrowed from US$6.14 per barrel to US$3.11 per barrel and the LSB differential narrowed from US$6.24 per barrel to US$3.36 per barrel. As a result of favorable differentials and stronger WTI prices, Gear's realized pricing increased from $20.74 per boe to $59.90 per boe.

On a year-to-date basis WTI increased from US$37.01 per barrel to US$61.96 per barrel over the same period in 2020, the WCS differential tightened from US$16.00 per barrel to US$11.98 per barrel, the Canadian Light Sweet differential narrowed from US$6.86 per barrel to US$4.18 per barrel and the LSB differential narrowed from US$7.00 per barrel to US$4.19 per barrel. These pricing movements resulted in an increase in Gear's realized pricing from $28.20 per boe to $55.25 per boe. Quarter over quarter, Gear's realized pricing increased from $50.46 per boe to $59.90 per boe in 2021.

Royalties

For the quarter and six months ended June 30, 2021, royalties as a percentage of commodity sales were 11.1 and 10.3 percent compared to 6.6 and 10.6 per cent for the same periods in 2020. Over the last couple of years, Gear's royalty rates have gradually declined as Gear continually replaces production with new wells which have an initial lower royalty rate encumbrance than legacy production. Quarter over quarter, Gear's royalty rate increased from 9.4 per cent to 11.1 per cent as a result of increased realized pricing. As commodity prices increase, Gear's royalty rate will also increase as pre-existing wells will hit higher royalty tiers faster.

Table 7

Royalty expense ($ thousands except % and per boe)	Three months ended Jun 30, 2021	Jun 30, 2020	% Change	Mar 31, 2021	Six months ended Jun 30, 2021	Jun 30, 2020	% Change
Royalty expense	**3,285**	345	852	2,288	**5,573**	2,591	115
Royalty expense as a % of Sales	**11.1**	6.6	68	9.4	**10.3**	10.6	(2)
Royalty expense per boe	**6.64**	1.38	381	4.77	**5.71**	3.00	90

Operating and Transportation Expenses

Operating costs plus transportation for the quarter and six months ended June 30, 2021 was $18.72 and $19.12 per boe compared to $16.43 and $17.55 per boe for the same periods in 2020. This increase is mainly a result of the reduced production in 2020. The operating costs incurred were mainly fixed in nature. Quarter over quarter, operating costs plus transportation decreased from $19.52 per boe in the first quarter 2021 to $18.72 per boe mainly as a result of more fair weather and temporary cost savings in property tax. Management expects that property tax will increase in 2022 to previously seen levels as the industry continues to rebound from the Covid-19 pandemic.

Table 8 below summarizes the operating and transportation expenses:

Table 8

Operating and Transportation expenses ($ thousands except per boe)	Three months ended **Jun 30, 2021**	Jun 30, 2020	% Change	Mar 31, 2021	Six months ended **Jun 30, 2021**	Jun 30, 2020	% Change
Operating expense	**8,248**	3,627	127	8,405	**16,653**	13,404	24
Transportation expense	**1,021**	482	112	966	**1,987**	1,756	13
Operating and transportation expense	**9,269**	4,109	126	9,371	**18,640**	15,160	23
Operating expense per boe	**16.66**	14.51	15	17.51	**17.08**	15.52	10
Transportation expense per boe	**2.06**	1.92	7	2.01	**2.04**	2.03	-
Operating and transportation expense per boe	**18.72**	16.43	14	19.52	**19.12**	17.55	9

Operating Netbacks

For the quarter and six months ended June 30, 2021, Gear's operating netback prior to risk management contracts was $34.54 and $30.42 per boe compared to $2.93 and $7.65 per boe for the same periods in 2020. The increase is primarily the result of increased commodity realized pricing and the lack of sales due to shut-in production in 2020. Quarter over quarter, Gear's operating netback increased from $26.17 per boe in the first quarter of 2021 to $34.54 per boe mainly as a result of increased realized commodity pricing, offset by increased royalty costs.

The components of operating netbacks are summarized in Table 9:

Table 9

Operating Netback ($ per boe)	Three months ended **Jun 30, 2021**	Jun 30, 2020	% Change	Mar 31, 2021	Six months ended **Jun 30, 2021**	Jun 30, 2020	% Change
Total sales	**59.90**	20.74	189	50.46	**55.25**	28.20	96
Royalties	**(6.64)**	(1.38)	381	(4.77)	**(5.71)**	(3.00)	90
Operating costs	**(16.66)**	(14.51)	15	(17.51)	**(17.08)**	(15.52)	10
Transportation costs	**(2.06)**	(1.92)	7	(2.01)	**(2.04)**	(2.03)	-
Operating Netback	**34.54**	2.93	1,079	26.17	**30.42**	7.65	298

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

For the quarter and six months ended June 30, 2021, G&A expenses totaled $1.3 million and $2.5 million, compared to $1.0 million and $2.7 million for the same periods in 2020. Year to date, the majority of the decrease relates to a 2019 performance bonus declared and paid in the first quarter of 2020. No bonuses were paid in 2021. During the first quarter of 2021, Gear reversed a 20 per cent compensation reduction for all officers, employees and directors that was made effective April 1, 2020. For the six months ended June 30, 2021, Gear received $0.1 million under the Canada Emergency Wage Subsidy program compared to $0.4 million for the same period in 2020. Gear no longer qualifies for this program due to increased revenue. Finally, as a result of increased drilling activities, for the quarter and six months ended June 30, 2021, Gear capitalized $0.3 million and $0.6 million of G&A compared to $nil and $0.6 million for the same periods in 2020. For the three and six months ended June 30, 2021, G&A on a per boe basis was $2.66 and $2.52 per boe, representing a decrease of 31 and 18 per cent over the same periods in 2020.

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

Table 10

G&A and SBC expense ($ thousands except per boe)	Three months ended **Jun 30, 2021**	Jun 30, 2020	% Change	Mar 31, 2021	Six months ended **Jun 30, 2021**	Jun 30, 2020	% Change
G&A, before recoveries and capitalized G&A	**1,683**	1,016	66	1,493	**3,176**	3,508	(8)
Overhead recoveries	**(66)**	(54)	22	(73)	**(139)**	(175)	(21)
Capitalized G&A	**(301)**	-	(100)	(282)	**(583)**	(635)	(8)
G&A	**1,316**	962	37	1,138	**2,454**	2,698	(8)
SBC expense	**121**	135	(10)	73	**194**	270	(28)
G&A per boe	**2.66**	3.84	(31)	2.37	**2.52**	3.08	(18)
SBC expense per boe	**0.24**	0.54	(55)	0.15	**0.17**	0.31	(36)

SBC is related to the granting of stock options. There were 5.4 million options granted during the six months ended June 30, 2021 at an average exercise price of $0.54. In addition, 1.1 million options expired or were forfeited at an average exercise price of $0.58 and 0.7 million options were excised at an average exercise price of $0.28. During the first quarter of 2021, Gear cash settled the remaining options from the five-year expiry option plan for $29 thousand. As at June 30, 2021 a total of 16.2 million options with a weighted average exercise price of $0.44 per share were outstanding, representing approximately six per cent of the 258.1 million total common shares outstanding. Each option entitles the holder to acquire one Gear common share. As at December 31, 2020 a total of 13.3 million options were outstanding. For further information on Gear's stock options, see the notes to the unaudited Interim Condensed Consolidated Financial Statements.

Interest and financing charges

For the quarter and six months ended June 30, 2021, interest and financing charges totaled $0.7 million and $1.6 million compared to $0.7 million and $1.5 million in the same periods of 2020, respectively, representing an increase nine per cent for the six month period. Gear's annualized borrowing costs, inclusive of financing charges and standby fees on its Credit Facilities approximated 5.6 and 5.9 per cent compared to 3.3 and 3.6 per cent for the same periods of 2020. 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 terms for the Credit Facilities, as well as higher margin and standby fee rates due to an increase in Gear's Senior Debt to EBITDA Ratio. In addition, Gear's subordinated unsecured convertible debentures (the "Convertible Debentures") had a coupon rate of 7.0 per cent compared to 4.0 for the same period in 2020. During the second quarter of 2021, all remaining outstanding Convertible Debentures were converted into common shares of Gear. Looking forward, Gear anticipates a meaningful reduction in interest and financing charges as its debt balance is reduced. Gear will realize an estimated $0.9 million of annual interest cost savings from the conversion of the Convertible Debentures.

Table 11 is a breakdown of interest expense:

Table 11

Interest and financing charges		Three months ended				Six months ended	
($ thousands except per boe)	**Jun 30, 2021**	Jun 30, 2020	% Change	Mar 31, 2021	**Jun 30, 2021**	Jun 30, 2020	% Change
Interest expense	**590**	617	(4)	805	**1,395**	1,374	2
Financing charges	**65**	29	124	98	**163**	62	163
Standby fees	**34**	33	3	38	**72**	61	18
Interest and financing charges	**689**	679	1	941	**1,630**	1,497	9
Interest and financing charges per boe	**1.39**	2.71	(49)	1.96	**1.67**	1.73	(4)

Risk Management Contracts

Gear has a mandate to protect its balance sheet and 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. To do this, 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 and up to 65 per cent of forecasted production, net of royalties, and has been authorized by its board of directors to hedge up to certain levels as specified by its credit agreement. To date, Gear has hedged approximately 50 per cent of its 2021 and first half 2022 forecasted production and continues to monitor markets for the remainder of its 2022 hedging program.

For the quarter and six months ended June 30, 2021, Gear realized losses on risk management contracts of $2.7 million and $4.9 million compared to realized gains of $8.9 million and $11.7 million for the same periods in 2020. The fair value of all outstanding contracts at June 30, 2021 was a liability of $6.7 million.

Table 12 summarizes Gear's financial risk management contracts as at June 30, 2021:

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**
Jul 1, 2021	Dec 31, 2021	Three-way collar	CAD	800	-	74.00	55.00	45.00
Jul 1, 2021	Dec 31, 2021	Three-way collar	CAD	800	-	71.00	55.00	45.00
Jul 1, 2021	Dec 31, 2021	Three-way collar	CAD	400	-	83.00	55.00	45.00
Jan 1, 2022	Mar 31, 2022	Three-way collar	CAD	2,400	-	86.00	62.50	50.00

Financial AECO Natural Gas Contracts

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

Subsequent to period end, Gear entered into the following financial risk management contract:

Financial WTI Crude Oil Contracts								
Term		Contract	Currency	Volume bbl/d	Sold Swap $/bbl	Sold Call $/bbl	Bought Put $/bbl	Sold Put $/bbl
Apr 1, 2022	Jun 30, 2022	Put spread (1)	CAD	2,400	-	-	62.50	50.00

(1) The put spread also has a deferred premium of $2.32 per barrel.

Impairment and Depletion, Depreciation and Amortization Expense ("DD&A")
DD&A during the quarter and six months ended June 30, 2021, was $17.29 and $17.14 per boe compared to $7.37 and $16.43 per boe in the same periods in 2020. The increase in the DD&A rate is the result of the previously disclosed impairment reversals which increased Gear's depletable base.

For the six months ended June 30, 2020, Gear had an impairment of $98.2 million on its three cash-generating units ("CGUs"), which was recognized as an impairment in the Consolidated Statements of Loss and Comprehensive Loss. No impairments have been recorded in 2021. For additional information see Note 3 "Property, Plant and Equipment and Impairment" in the notes to the Interim Condensed Consolidated Financial Statements. As future commodity prices remain volatile, impairment charges or recoveries could be recorded in future periods.

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

Table 13

DD&A Rate	Three Months Ended				Six Months Ended		
($ thousands except per boe)	**Jun 30, 2021**	Jun 30, 2020	% Change	Mar 31, 2021	**Jun 30, 2021**	Jun 30, 2020	% Change
DD&A	**8,560**	1,843	365	8,151	**16,711**	14,190	18
Total DD&A rate per boe	**17.29**	7.37	135	16.98	**17.14**	16.43	4
Impairment	**-**	-	-	-	**-**	98,206	(100)

Taxes
Deferred income tax assets are recognized for tax loss and tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. A deferred tax asset in the amount of $74.3 million (2020 - $74.3 million) has not been recognized as Management does not find it probable that the benefit will be realized. Included in this tax basis are estimated non-capital loss carry forwards that expire in the years 2027 through 2041. At June 30, 2021, Gear's estimated tax pools were relatively unchanged from the $592.9 million as at December 31, 2020. No cash income taxes were paid in 2021 and 2020.

Capital Expenditures, Acquisitions and Dispositions
Capital expenditures including acquisitions and dispositions for the quarter and six months ended June 30, 2021 were $5.8 million and $13.6 million compared to $0.2 million and $11.3 million in the same periods in 2020. During the second quarter of 2021 Gear successful drilled one light oil well in Tableland, Saskatchewan and one heavy oil well in Wildmere, Alberta. Prior to quarter-end, Gear began drilling another well in Wildmere, but the drill was not rig released until July . Year to date, Gear has successfully drilled 13 gross (12.3 net) wells including ten heavy oil single lateral wells in Paradise Hill, one gross (0.3 net) multi-stage fractured light oil well in Wilson Creek, one multi-stage fractured light oil well in Tableland, and one multi-leg heavy oil well in Wildmere. All the wells drilled were on budget and have come on production as expected.

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

Table 14

Capital expenditures	Three months ended				Six months ended		
($ thousands)	**Jun 30, 2021**	Jun 30, 2020	% Change	Mar 31, 2021	**Jun 30, 2021**	Jun 30, 2020	% Change
Drilling and completions	**3,633**	342	962	6,321	**9,955**	8,924	12
Production equipment and facilities	**2,056**	(120)	(1,813)	1,487	**3,542**	2,246	58
Geological and geophysical	**16**	26	(38)	30	**46**	39	18
Undeveloped land purchased at crown land sales	**101**	23	339	42	**143**	144	(1)
Other	**3**	(32)	(109)	3	**6**	(13)	(146)
Total capital expenditures	**5,809**	239	2,331	7,883	**13,692**	11,340	21
Property acquisitions and dispositions, net (1)	**-**	-	-	-	**-**	3	(100)
Total capital expenditures and net acquisitions	**5,809**	239	2,331	7,883	**13,692**	11,343	21

(1) Includes post-closing adjustments

Decommissioning Liability
At June 30, 2021, Gear recorded a decommissioning liability of $80.3 million ($87.5 million at December 31, 2020) 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 1.84 per cent (1.85 per cent at December 31, 2020) and discounted using a risk free rate of 1.84 per cent (1.85 per cent at December 31, 2020). 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 an adjustment to the future cost estimates in the Heavy Oil CGU based on actual abandonment costs incurred in the last several years by both Gear and third-party government bodies. Decommissioning liabilities settled by Gear for the six months ended June 30, 2021 were $0.6 million.

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 under a Site Rehabilitation Program ("SRP"). In 2020, Gear was 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. Gear carried over $1.6 million of funding from 2020 as the spending had yet to occur. In 2021 to date, Gear has been approved for an additional $2.6 million bringing the total cumulative funding to date to $4.8 million and hopes to qualify for additional amounts under future phases of the SRP. A portion of the funding in Alberta comes as a 50 per cent cost reimbursement for Gear's area-based closure in the Wildmere area. During the six months ended June 30, 2021, as a result of combined efforts of both Gear and the parties through the government assistance program, the combined $2.1 million of decommissioning expenditures allowed Gear to cut and cap 33 gross wells in Alberta and downhole abandon 38 gross wells in Alberta, and cut and cap 41 gross wells in Saskatchewan, and downhole abandon 37 gross wells in Saskatchewan.

A breakdown of Gear's spending per Provincial jurisdiction is outlined in Table 15:

Table 15

SRP ($ thousands)	**Alberta**	**Saskatchewan**	**British Columbia**	Total
2020 funding carry over	1,240	372	2	1,614
2021 funding	1,397	1,230	-	2,627
2021 spending	(950)	(602)	-	(1,552)
Remaining	**1,687**	**1,000**	**2**	**2,689**

Capitalization, Financial Resources and Liquidity
A breakdown of Gear's capital structure is outlined in Table 16:

Table 16

Debt ($ thousands except ratio amounts)	**Jun 30, 2021**	Dec 31, 2020
Net debt (1)	**33,418**	52,864
Net debt to trailing twelve-month funds from operations (1)	**0.8**	1.6
Net debt to quarterly annualized funds from operations (1)	**0.7**	1.6
Common shares outstanding	**258,103**	216,490

(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".

Gear was able to achieve a 37 per cent reduction in second quarter net debt over 2020 year-end. This was achieved primarily through the retirement of $13.2 million of Convertible Debentures resulting in the issuance of 41.2 million common shares and funds from operations that greatly exceeded capital expenditures during the first half of 2021.

Credit Facilities
In June, Gear completed its annual borrowing base redetermination and amended its credit facilities (the "Credit Facilities") as follows:

Facility ($ millions)	**Borrowing base** **Jun 30, 2021**	 **Dec 31, 2020**	**Maturity Date** **As at Jun 30, 2021**
Non-revolving	5.0	15.0	Sep 30, 2021
Non-revolving	6.9	-	May 27, 2022
Revolving	33.7	42.5	May 27, 2023
Operating	7.5	7.5	May 27, 2023
Total	53.1	65.0	

At June 30, 2021 Gear had $38.1 million drawn on the Credit Facilities (December 31, 2020 – $50.7 million) and outstanding letters of credit of $0.9 million (December 31, 2020 – $0.9 million). $11.9 million (December 31, 2020 – $5.0 million) has been classified as short-term debt for amounts borrowed under the non-revolving term credit facilities as these are required to be repaid in the next twelve months. The Credit Facilities do not carry any financial covenants.

Gear has an outstanding letter of credit with a counterparty separate from the Credit Facilities for $1.1 million (December 31, 2020 – $nil).

The total stamping fees on the operating facility and revolving facility range, depending on Gear's Debt to EBITDA ratio, 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.

Gear's Credit Facilities are periodically reviewed by its lenders through scheduled borrowing base reviews at which time the borrowing base of such 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 could cause liquidity risk, 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 27, 2023 maturity date. The next borrowing base review is expected to be complete on or about November 30, 2021.

Convertible Debentures

On December 31, 2020, Gear had $13.2 million in outstanding Convertible Debentures. On March 16, 2021, Gear announced that its Convertible Debentures would be redeemed on April 26, 2021, at the option of the Company. During the quarter and six months ended June 30, 2021, $3.3 and $13.2 million of the Convertible Debentures were converted into 10.3 and 41.2 million common shares. All 2021 debenture conversions were converted at $0.32 per common share such that for every $1,000 principal amount of Convertible Debentures, a holder received 3,125 common shares along with the accrued and unpaid interest for the period from December 1, 2020 to the date of conversion.

Shareholders' Equity

As at June 30, 2021, Gear had 258.1 million common shares outstanding. The increase since December 31, 2020, is due to conversions of the Convertible Debentures described above and minor stock option exercises. At December 31, 2020, Gear had 216.5 million common shares outstanding. At the date of this MD&A, Gear had 258.1 million shares outstanding.

As at June 30, 2021 a total of 16.2 million options were outstanding with a weighted average exercise price of $0.44 per share and each option entitled the holder to acquire one Gear common share. At the date of this MD&A, Gear had a total of 16.1 million options outstanding at a weighted average exercise price of $0.43 per share.

Environmental, Social, and Governance ("ESG") 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 legislations will harmonize with provincial regulations, as well as the timing and effects of such legislations and 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 has a long history of investing in ESG that started with its first major fuel system to capture vented natural gas in 2010 in Gear's foundational Wildmere property. Since then, Gear has continued to expand those fuel systems to both conserve and reduce vented natural gas on our major properties. This includes participating in programs to reduce methane emissions from replacing pneumatic controllers and Vapor Recovery Units to utilizing electricity where possible. In Southeast Saskatchewan in Tableland, Gear has just recently committed to a project with a third party to implement a significant flaring and emissions reduction, gas conservation project that should be operational in 2021. Gear has submitted its initial emissions reduction five-year plan which has been approved by the Saskatchewan government. In addition, Gear has been recently implementing and expanding water flooding projects in multiple core areas. From an environmental perspective this allows Gear to efficiently access incremental resources without expanding surface footprints.

Social
Safety for Gear's workforce including contractors is paramount. Gear hosts monthly safety meetings for its field staff to review all safety protocols. During the second quarter of 2021, Gear had zero lost time injuries, zero recordable injuries and no near miss events. A near miss event is an incident that did not, but had the potential to, result in an injury. Gear is compliant with government guidelines pertaining to COVID-19 and has mandated its employees to work from home 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. On an annual basis, an evaluation is completed for all directors

In 2021, Gear hopes to release its inaugural Environmental, Social, and Governance report.

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 Consolidated Financial Statements.

In addition to the Credit Facilities, as June 30, 2021, Gear had the following contractual commitments:

- lease agreements for its head office and its two field offices;
- one service commitment; and
- one transportation commitment

Lease agreements for Gear's head and field offices are effective until July 31, 2025. The remaining commitment for these lease agreements is $1.7 million. The service commitment relates to a software agreement that expires in 2023 with a remaining commitment of $0.3 million. The transportation commitment relates to an agreement with a mid-stream company. The mid-stream company plans to expand its gas gathering system in Tableland by constructing a new pipeline that will be used by several producers in the area. Gear will pay an escalated transportation fee until 2030. The total transportation commitment is $4.8 million. The pipeline is expected to be operational in Q4 2021. For further information see Note 12 "Commitments and Contingencies" in the notes to the unaudited 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 and results of operations.

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			Six months ended	
($ thousands)	**Jun 30, 2021**	Jun 30, 2020	Mar 31, 2021	**Jun 30, 2021**	Jun 30, 2020
Cash flows from operating activities	**14,967**	3,547	9,892	**24,859**	13,337
Decommissioning liabilities settled (1)	**183**	22	396	**579**	692
Change in non-cash working capital	**(2,928)**	4,499	(2,035)	**(4,963)**	299
Funds from operations	**12,222**	8,068	8,253	**20,475**	14,328

(1) Decommissioning liabilities settled includes only expenditures made by Gear.

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)	**Jun 30, 2021**	Dec 31, 2020
Debt	**38,084**	50,749
Convertible Debentures (at face value) (1)	**-**	13,185
Working capital (surplus) (2)	**(4,666)**	(11,070)
Net debt	**33,418**	52,864

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

At June 30, 2021, 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 could cause liquidity risk, 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 were 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

(thousands, except per share amounts)	Three months ended **Jun 30, 2021**	Jun 30, 2020	Mar 31, 2021	Six months ended **Jun 30, 2021**	Jun 30, 2020
Weighted average basic shares	**247,415**	216,486	221,090	**234,325**	216,600
Average share price [(1)]	**0.86**	0.22	0.51	**0.86**	0.22
Average net debt [(2)]	**38,174**	75,219	47,897	**43,141**	69,965
Share equivalent on average net debt [(3)]	**44,388**	341,905	93,916	**50,164**	318,023
Debt adjusted shares	**291,803**	558,391	315,006	**284,489**	534,623

(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 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 including those associated with the highly uncertain timing and impact of global energy markets transition from carbon-based sources to alternative energy;
- Estimated impacts of COVID-19 on Gear’s operations and future financial performance;
- 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 4 "Management Judgments and Estimation Uncertainty" in the audited Financial Statements for the year ended December 31, 2020.

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 Control 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 June 30, 2021, 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 June 30, 2021 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Forward-looking Information and Statements

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 with respect to commodity pricing and supply and demand factors affecting commodity pricing; the second half of 2021 predicted to have continual debt repayments, production growth, and material free funds from operations; the forecast of net debt of $12 million by the end of 2021; fourth quarter 2021 production to be 5,900 boe per day; the expectation that in the coming quarters, Gear will unveil its 2022 capital plans as well as what it will decide to do with the free funds from operations it expects to generate from the business; the expected options for what Gear may do with any free funds from operations that it generates from its business; 2021 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; the expectation that sales volumes from the Killam area will recover in the third quarter of 2021 as a result of the construction of an alternative gas conservation solution; the expectation that property tax will increase in 2022 to previously seen levels as the industry continues to rebound from the Covid-19 pandemic; expected reductions in Gear's bank debt; the expected annual interest savings resulting from the conversion of the Convertible Debentures and the reduction of interest through debt reductions; the expectation percentage of Gear's forecast 2021 and first half 2022 production that is hedged and expectations as to future hedges for the remainder of its 2022 hedging program; Gear's expectation that it will have sufficient liquidity to support its operations and meet its financial obligations over the next 12 months; Gear's plans and expectations with respect to reducing methane and other emissions; the expectation that a gas conservation project in the Tableland area of Southeast Saskatchewan will be operational in 2021 and will result in a significant flaring and emissions reduction; the expectation that water flooding projects allow Gear to efficiently access incremental resources without expanding surface footprints; Gear's intent to provide an inaugural environment, social and governance report in 2021; 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; the expectation that a pipeline that is under construction in Tableland will be operational in the fourth quarter of 2021; 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; 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.

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.

QUARTERLY HISTORICAL REVIEW

	2021		2020				2019	
(Cdn$ thousands, except per share, share, and per boe amounts)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
FINANCIAL								
Petroleum and natural gas sales	29,651	24,226	19,644	21,054	5,188	19,171	30,396	32,459
Funds from operations (1)	12,222	8,253	8,253	10,848	8,068	6,258	13,738	15,968
Per weighted average basic share	0.05	0.04	0.04	0.05	0.04	0.03	0.06	0.07
Per weighted average diluted share	0.05	0.04	0.04	0.05	0.04	0.03	0.06	0.07
Cash flows from operating activities	14,967	9,892	8,016	8,864	3,547	9,788	11,401	13,613
Per weighted average basic share	0.06	0.04	0.04	0.04	0.02	0.05	0.05	0.06
Per weighted average diluted share	0.06	0.04	0.03	0.04	0.02	0.05	0.05	0.06
Net (loss) income	(730)	(3,497)	39,349	(1,157)	(5,300)	(110,215)	(8,045)	3,493
Per weighted average basic share	-	(0.02)	0.18	(0.01)	(0.02)	(0.51)	(0.04)	0.02
Per weighted average diluted share	-	(0.02)	0.15	(0.01)	(0.02)	(0.51)	(0.04)	0.02
Capital expenditures	5,809	7,883	386	715	239	11,099	12,603	11,800
Decommissioning liabilities settled (2)	694	1,437	726	87	22	671	889	1,170
Net acquisitions (dispositions) (3)	-	-	-	-	-	3	109	115
Net debt (1) (4) (5)	33,418	42,929	52,864	60,544	70,177	80,261	69,752	69,837
Weighted average shares outstanding, basic (thousands)	247,415	221,090	216,490	216,490	216,486	216,715	218,365	219,084
Weighted average shares outstanding, diluted (thousands)	247,415	221,090	257,996	216,490	216,486	216,715	218,365	234,646
Shares outstanding, end of period (thousands)	258,103	247,415	216,490	216,490	216,490	216,468	217,610	218,873
OPERATING								
Production								
Heavy oil (bbl/d)	3,207	3,026	3,236	3,321	1,388	3,989	4,034	3,929
Light and medium oil (bbl/d)	1,469	1,513	1,657	1,746	845	1,775	1,763	2,059
Natural gas liquids (bbl/d)	148	121	182	174	103	217	269	218
Natural gas (mcf/d)	3,694	4,043	4,477	3,761	2,474	4,582	4,935	4,295
Total (boe/d)	5,440	5,335	5,821	5,868	2,749	6,744	6,888	6,922
Average prices								
Heavy oil ($/bbl)	62.14	51.58	36.16	40.27	20.46	27.58	49.17	52.93
Light and medium oil ($/bbl)	74.72	63.16	48.10	47.61	24.91	50.44	64.82	65.88
Natural gas liquids ($/bbl)	34.40	42.61	26.02	20.30	25.73	10.54	22.79	26.70
Natural gas ($/mcf)	3.15	3.05	2.69	2.25	1.98	1.93	2.36	0.79
Selected financial results ($/boe)								
Petroleum and natural gas sales	59.90	50.46	36.68	39.00	20.74	31.24	47.97	50.97
Royalties	(6.64)	(4.77)	(4.38)	(3.48)	(1.38)	(3.66)	(5.52)	(6.06)
Operating costs	(16.66)	(17.51)	(14.83)	(13.60)	(14.51)	(15.93)	(15.77)	(15.10)
Transportation costs	(2.06)	(2.01)	(1.96)	(2.71)	(1.92)	(2.08)	(2.16)	(2.10)
Operating netback (1)	34.54	26.17	15.51	19.21	2.93	9.57	24.52	27.71
Realized risk management (loss) gain	(5.55)	(4.55)	4.67	5.35	35.85	4.57	0.58	0.80
General and administrative	(2.66)	(2.37)	(2.41)	(2.28)	(3.84)	(2.77)	(2.13)	(2.03)
Interest	(1.39)	(1.96)	(2.25)	(2.19)	(2.71)	(1.33)	(1.30)	(1.52)
Other costs	-	-	-	-	-	-	-	-
Realized gain (loss) on foreign exchange	(0.24)	(0.10)	(0.11)	-	0.03	0.16	0.01	0.11

(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) Decommissioning liabilities settled includes expenditures made by both Gear and the Federal Site Rehabilitation Program.
(3) Net acquisitions (dispositions) exclude non-cash items for decommissioning liability and deferred taxes and are net of post-closing adjustments.
(4) Net debt includes the risk management liability acquired through the Steppe Acquisition.
(5) Net debt as of March 31, 2021 includes $3.3 million of Convertible Debentures. On April 23,2021, the remaining $3.3 million of Convertible Debentures were converted into common shares. As of the date of this MD&A, no Convertible Debentures were outstanding.

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, in 2020, 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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