GEAR ENERGY

NEWS RELEASE

GEAR ENERGY LTD. ANNOUNCES SECOND QUARTER 2021 OPERATING RESULTS

CALGARY, ALBERTA (July 29, 2021) Gear Energy Ltd. ("Gear" or the "Company") (TSX:GXE) (OTCQX:GENGF) is providing the following second 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 June 30, 2021 are available for review on Gear's website at www.gearenergy.com and on www.sedar.com.

	Three months ended			Six months ended	
(Cdn$ thousands, except per share, share and per boe amounts)	**Jun 30, 2021**	Jun 30, 2020	Mar 31, 2021	**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
Net (loss)	**(730)**	(5,300)	(3,497)	**(4,227)**	(115,516)
Per weighted average basic share	**0.00**	(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 (dispositions) acquisitions [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 ($/boe)					
Commodity and other sales	**59.90**	20.74	50.46	**55.25**	28.20
Royalties	**(6.64)**	(1.38)	(4.77)	**(5.71)**	(3.00)
Operating costs	**(16.66)**	(14.51)	(17.51)	**(17.08)**	(15.52)
Transportation costs	**(2.06)**	(1.92)	(2.01)	**(2.04)**	(2.03)
Operating netback [1]	**34.54**	2.93	26.17	**30.42**	7.65
Realized risk management (loss) gain	**(5.55)**	35.85	(4.55)	**(5.06)**	13.63
General and administrative	**(2.66)**	(3.84)	(2.37)	**(2.52)**	(3.08)
Interest	**(1.39)**	(2.71)	(1.96)	**(1.67)**	(1.73)
Realized (loss) gain on foreign exchange	**(0.24)**	0.03	(0.10)	**(0.17)**	0.12
TRADING STATISTICS					
($ 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 is net of post-closing adjustments.

MESSAGE TO SHAREHOLDERS

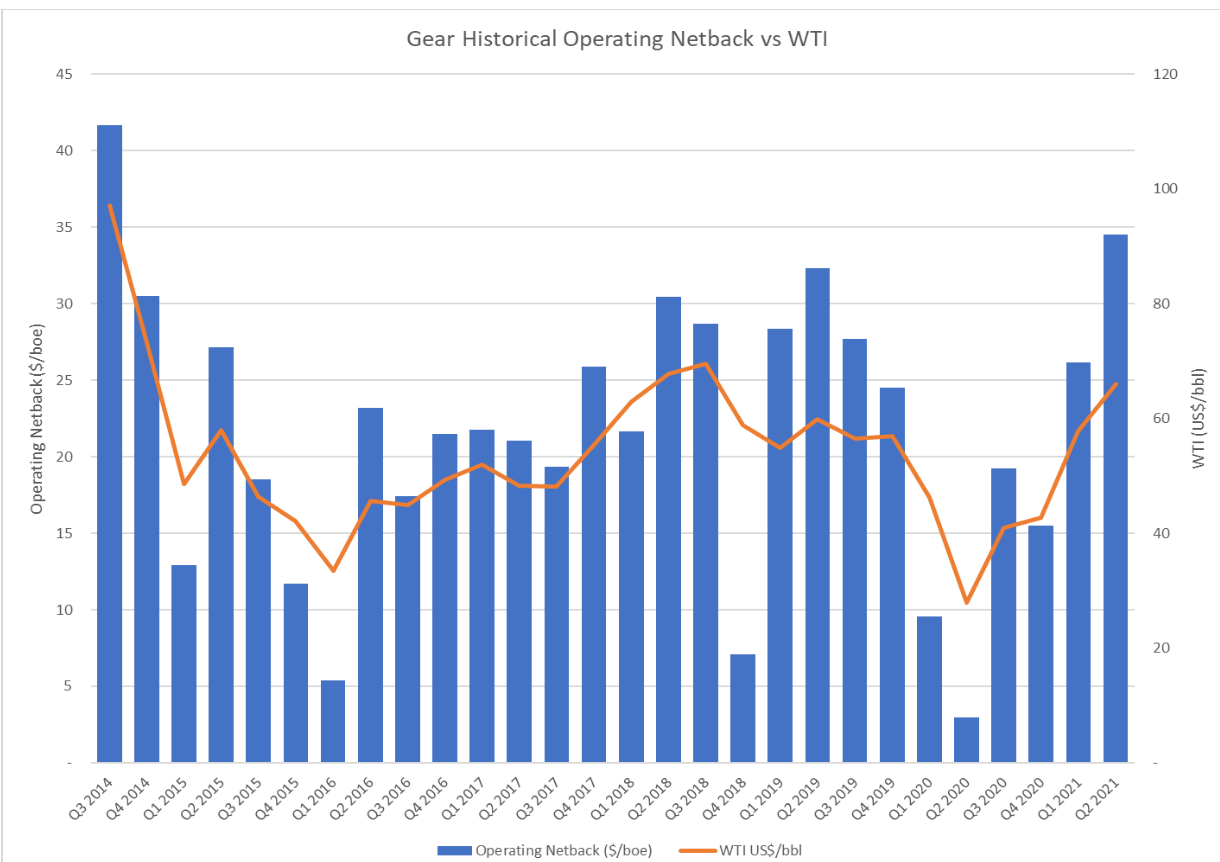
With these second quarter results Gear has made great strides in generating value by delivering the exceptional capital discipline that shareholders have come to expect from their Company. Significant free funds from operations have again been realized through the quarter while maintaining stable production levels and aggressively reducing outstanding debt. Gear has continued to efficiently and economically deliver the energy that society requires to maintain the quality of life and high standard of living that we have all come to expect in the developed world.

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$73 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.

QUARTERLY HIGHLIGHTS

- Funds from operations for the second quarter of 2021 was $12.2 million, an increase of 48 per cent from the first quarter of 2021 as a result of significantly higher commodity prices, lower operating costs, and increased production. Second quarter realized prices increased from $50.46 per barrel in the first quarter of 2021 to $59.90 per barrel. The improved commodity prices were driven by an increase in the WTI benchmark oil price which averaged US$66.07 per barrel in the second quarter along with narrowing Canadian oil differentials on both the heavy and the light oil benchmarks. The strong funds from operations was net of $2.7 million of hedging costs realized during the quarter.

- Operating netback for the second quarter of 2021 was $34.54 per boe, Gear's highest operating netback since the third quarter of 2014 when WTI averaged US$97 per barrel. Operating costs inclusive of transportation was $0.80 per boe lower than the first quarter of 2021 due to unseasonably cold weather experienced in the first quarter. In comparison to 2020, 2021 operating costs are slightly higher as a result of increased field maintenance costs incurred to help support stable production into the future.



- Production for the second quarter of 2021 was 5,440 boe per day, a slight increase of two per cent from the first quarter of 2021 as a result of new production from the first quarter drilling program of 11 gross wells (10.3 net). For the second quarter, these wells contributed an average of 552 boe per day of production. Production continues to incline for these wells with the last 30 days of production averaging 634 boe per day.

- In the second quarter of 2021, Gear successfully drilled one light oil well in Tableland, Saskatchewan and one multi-lateral unlined heavy oil well in Wildmere, Alberta. The Tableland light oil well was completed in July and is expected to be on production in early August. A total of $5.8 million of capital was incurred for the quarter including $1.1 million for pipelines and $0.8 million for facilities. Subsequent to quarter end, the drilling rig remained active, drilling an additional multi-lateral well in Wildmere and currently drilling the final 2021 heavy oil well in Wildmere before a planned move to Provost to drill a four well program to follow up on Gear's successful medium oil Sparky discovery in 2020. Additionally, during the quarter, Gear received regulatory approval for three water flood projects in Maidstone, Saskatchewan, and Wildmere, Alberta with the fourth quarter implementation planned to assist year end production and reserves.

- Reduced net debt by 52 per cent from $70.2 million in the second quarter of 2020 to $33.4 million at the end of the second quarter of 2021 and 22 per cent from the first quarter of 2021. Since the second quarter of 2020, debt has been lowered as a result of funds from operations significantly exceeding capital investment. Additionally, all of the remaining $13.2 million convertible debentures were retired in the first half of 2021 through the issuance of 41.2 million common shares. As of June 30, 2021, net debt consists of $38.1 million of bank debt and $4.7 million of positive working capital.

- The balance sheet remains strong with an annualized net debt to funds from operations of 0.7 times for the second quarter of 2021 and bank debt of $38.1 million as at June 30, 2021. In June 2021, Gear completed its annual borrowing base redetermination of its credit facilities with the maturity date extended to May 27, 2023. As a result of Gear forecasting continual debt reductions for the remainder of the year, a gradual reduction of the borrowing base will be put in place to reduce standby fees. Gear's credit facilities will have the following borrowing base:

Date	Borrowing Base ($MM)
March 2021	60
June 2021	53
September 2021	48
May 2022	41

- In the second quarter Gear realized a hedging loss of $5.55 per boe compared to the second quarter of 2020 when Gear generated a realized hedging gain of $35.85 per boe as a result of 2,500 barrels per day hedged out of 2,749 boe per day of production. The second half of 2021 hedging program will consist solely of 3-way collars with 800 barrels per day capped at a WTI price of C$71 per barrel, 800 barrels per day capped at C$74 per barrel, and 400 barrels per day capped at C$83 per barrel.

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 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 the Tableland light oil well will be on production in early August; and the forecasting of continual debt reductions for the remainder of the year; the planned move to Provost to drill a four well program; and planned fourth quarter implementation of three waterfloods to assist year end production and reserves.

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 demand repayment under its Credit Facilities; 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.

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