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# Monthly Update

GEAR ENERGY

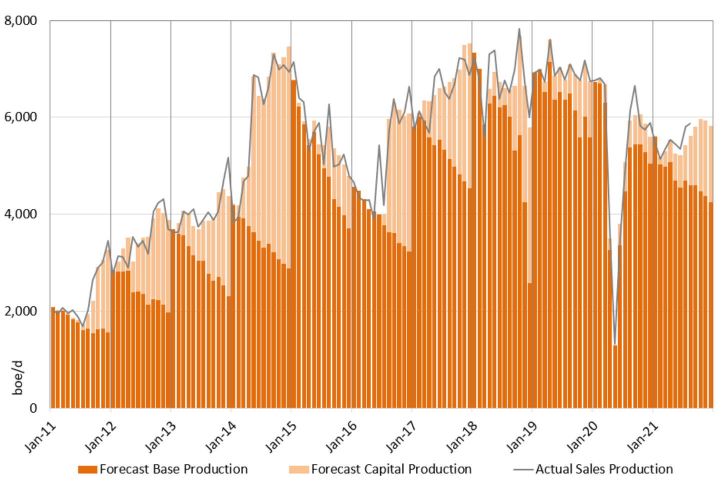
## FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

Gear is pleased to provide the following key operational and financial information for investors:

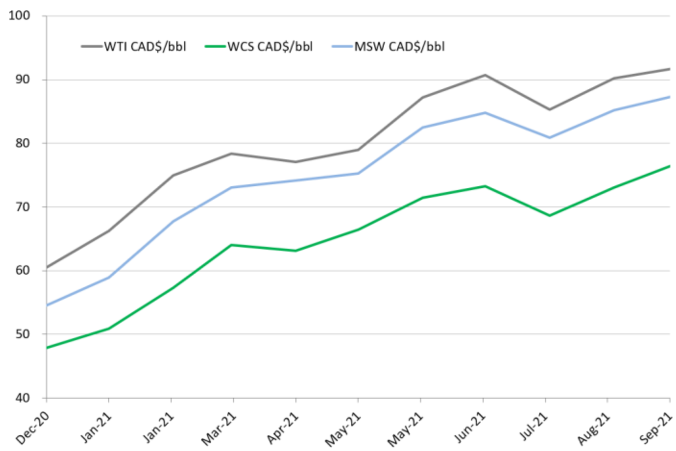
| | Q2 20 | Q3 20 | Q4 20 | 2020 | Q1 21 | Jun-21 | Q2 21 | Jul-21 | Aug-21 | Q3 21 TD | 2021 TD |
|---|---|---|---|---|---|---|---|---|---|---|---|
| WTI Benchmark Price ($US/bbl) | 27.85 | 40.93 | 42.66 | 39.40 | 57.84 | 71.35 | 66.07 | 72.43 | 67.71 | 70.07 | 63.98 |
| WCS Heavy Oil Differential ($US/bbl) | (11.47) | (9.09) | (9.31) | (12.60) | (12.47) | (12.89) | (11.49) | (13.97) | (13.24) | (13.61) | (12.39) |
| MSW Light Oil Differential (US$/bbl) | (6.14) | (3.51) | (4.07) | (5.33) | (5.24) | (3.89) | (3.11) | (4.73) | (3.53) | (4.13) | (4.17) |
| Funds from Operations ($MM) | 8.1 | 10.8 | 8.3 | 33.4 | 8.3 | 4.1 | 12.2 | 5.5 | 5.2 | 10.7 | 31.2 |
| Capital and Abandonment Expenditures ($MM) | 0.3 | 0.8 | 0.5 | 13.4 | 8.3 | 3.1 | 6.0 | 4.7 | 3.2 | 7.9 | 22.2 |
| Net Debt ($MM) | 70.2 | 60.5 | 52.9 | 52.9 | 42.9 | 33.4 | 33.4 | 32.6 | 30.6 | 30.6 | 30.6 |
| Production (boe/d) | 2,749 | 5,867 | 5,821 | 5,298 | 5,335 | 5,348 | 5,440 | 5,800 | 5,866 | 5,833 | 5,501 |

***Note: All items are based on estimates; actuals will vary from estimates due to accruals and adjustments. Such variances may be material.***

Production at Gear has been trending at or above budgeted expectations during most of 2021. With August sales volumes of 5,866 boe per day, (56% heavy oil, 32% light/medium oil/NGL's, and 12% Gas) the year-to-date average production is already at the bottom end of annual guidance of 5,500 – 5,600 boe per day. If production for the last four months of the year tracks within expectations between 5,800 and 6,000 boe per day, the top end of the annual guidance should be very achievable.




As production has grown throughout the year, so too have oil prices. The most impactful number for Gear being the WCS price, moving from the high $40 per barrel range in December of 2020 to September 2021 prices trading in excess of $70 per barrel (all CAD dollars). With Gear's production weighted over 55% to heavy oil, this price strength has provided material assistance to the delivery of strong funds from operations.




Funds from operations this year have continued to outpace capital by a material amount with the excess dedicated to ongoing improvement of the already strong balance sheet. Estimated August net debt of $30.6 million is over 60% lower than the net debt reported in Q1 of 2020 and with limited capital spending expected in the fourth quarter of 2021, the exit net debt this year should be almost 60% lower than this August amount.

In parallel with current production, pricing and financial strength, activity in the field continues to progress smoothly. During the first week of September, Gear successfully concluded drilling operations on the last well of the budgeted 19 well program (18.3 net). The last four wells of the program were all drilled in Provost, Alberta targeting Sparky medium oil and are forecast to begin production later in September. Assuming these wells come on at or near budget expectations, Gear should be set up for a strong exit to 2021 and an equally healthy entry into 2022.

Certain information in this monthly update is forward-looking within the meaning of certain securities laws, and is subject to important risks, uncertainties and assumptions. This forward-looking information may include, among other things, estimated production, expected funds from operations and profit from certain assets of Gear, expectations of commodity prices and price differentials, demand for oil, capital expenditure budgets and estimates, royalty rates, operating costs, credit/debt requirements, and drilling inventory and locations. Readers should not rely on such forward-looking information to make investment decisions as the results or events anticipated or predicted in such forward-looking information may differ materially from actual results or events as a result of a number of factors including based on the risk factors as set forth in Gear's most recent annual information form (the "**AIF**"), which is available on this website and at www.sedar.com. Gear has based the forward-looking information on a number of assumptions including the assumptions identified in such monthly updates, which may not be realized. It has also assumed that the risk factors discussed in the AIF will not cause such forward-looking information to differ materially from actual results or events. The forward-looking information in this monthly update describes the expectations of management of Gear as of the respective dates of this monthly update 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. Readers should not rely on the views of management of Gear as set out in this monthly update to make investment decisions with respect to Gear or other companies in the oil and gas industry and should instead consult with their own investment advisors.

This monthly update may include certain key performance indicators to analyze financial and operating performance such as funds from operations, funds from operations per debt adjusted share, production per day per thousand debt adjusted shares, operating netbacks, corporate netbacks and net debt, which do not have any standardized meaning prescribed by Canadian generally accepted accounting principles ("**GAAP**") and therefore may not be comparable with the calculation of similar measures for other entities. For additional information on these non-GAAP measures, see Gear's most recent management's discussion and analysis which is available on Gear's website at www.gearenergy.com and at www.sedar.com.

**Barrel of oil equivalent ("boe") used in the monthly updates have been based on a conversion ratio of 1 barrel of oil to 6 thousand cubic feet of natural gas. A boe may be misleading, particularly if used in isolation, as such conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.**