GEAR ENERGY

Monthly Update

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FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

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

	Q3 20	Q4 20	2020	Q1 21	Q2 21	Sep-21	Q3 21	Oct-21	Nov-21	Q4 21 TD	2021 TD
WTI Benchmark Price ($US/bbl)	40.93	42.66	39.40	57.84	66.07	71.54	70.56	81.22	78.65	79.94	67.57
WCS Heavy Oil Differential ($US/bbl)	(9.09)	(9.31)	(12.60)	(12.47)	(11.49)	(13.52)	(13.58)	(11.92)	(13.40)	(12.66)	(12.45)
MSW Light Oil Differential (US$/bbl)	(3.51)	(4.07)	(5.33)	(5.24)	(3.11)	(3.97)	(4.08)	(3.38)	(2.02)	(2.70)	(3.88)
Funds from Operations ($MM)	10.8	8.3	33.4	8.3	12.2	5.2	16.0	6.8	6.9	13.7	50.1
Capital and Abandonment Expenditures ($MM)	0.8	0.5	13.4	8.3	6.0	2.4	10.3	2.5	2.6	5.1	29.6
Net Debt ($MM)	60.5	52.9	52.9	42.9	33.4	27.9	27.9	23.5	19.2	19.2	19.2
Production (boe/d)	5,867	5,821	5,298	5,335	5,440	5,912	5,859	5,946	6,521	6,229	5,671

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

With November field production of 6,142 boe per day versus sales of 6,521 boe per day, the oil inventory that was built through October is now mostly sold. Gear still anticipates exiting the year with normal inventory levels.

As part of our ongoing effort to expose investors to the diverse and talented skillsets of the team at Gear, this month's shareholder update includes significant contributions and insight from Jason Kaluski, the VP of Operations at Gear.

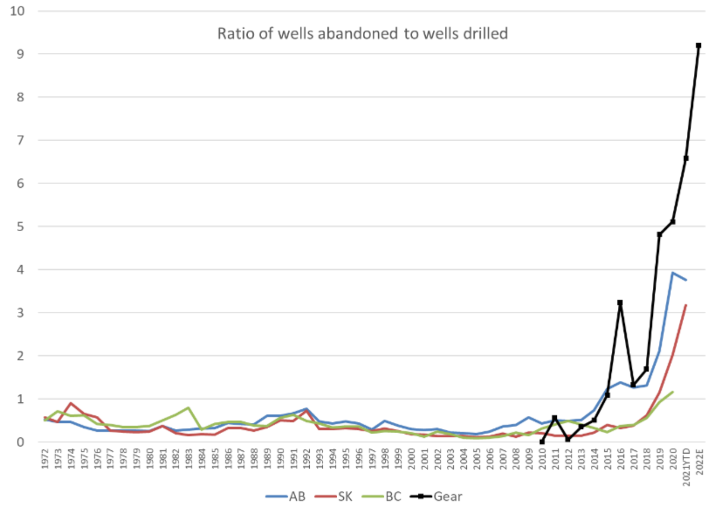
As Gear continues down the path towards zero net debt, the spotlight should gradually move away from the balance sheet. Upon accomplishing this goal, a key remaining controllable discount or risk within the company will be the liabilities associated with the inventory of inactive wellbores. As such, the reduction of this risk has continued to be a strategic focus for the team at Gear.

We hear a lot more about liabilities these days than we used to when Gear first started. Although liabilities have always been a value consideration, the materiality of a company's liabilities really changed in 2016 with what is usually described as the "Redwater decision". In 2016, and then re-affirmed in 2019, the courts essentially ruled that in the event of an Alberta focused energy company going bankrupt, the Government of Alberta will be first inline to recoup costs. The intention was to minimize or potentially eliminate any liabilities making their way into the hands of the Orphan Well Association. For several years now, this decision has had far reaching impacts, including how people now measure the value of an energy company and how much credit banks might be willing to lend.

After being formed through a selection of inventory rich (but relatively liability heavy) acquisitions, Gear has made liability reduction a priority. Since inception in 2010 to the end of 2021, Gear expects to have abandoned approximately 460 operated wells. By the end of 2022, Gear is forecasting that number to increase to approximately 635 abandoned wells, almost 2 times as many wells as have been, or are forecast to be drilled over the same period. The interesting thing here, is how does Gear's activity compare to its peers?

Recently, GLJ Petroleum Consultants put out a very interesting chart on Canadian abandonment and drilling activity since the early 1970's. They plotted the annual ratio of wells abandoned to wells drilled in Alberta, Saskatchewan, and British Columbia. The data shows convincingly that liability reduction had not been a priority over the majority of the dataset. Essentially if the ratio was below 1.0, then the industry was adding more wells than they were abandoning each year. The 1.0 times ratio was not exceeded until 2015 in Alberta, 2019 in Saskatchewan and 2020 in BC. Since then, the ratios have started to improve dramatically.

We took the liberty of plotting Gear's total corporate data on the same chart and the conclusions were similar. Although investments were being made, meaningful liability reduction was not really occurring until 2015. That is the year that Gear, similar to all industry activity in Alberta, finally started abandoning more wells than were being drilled each year. From 2015 to the end of 2021, Gear expects to have abandoned 390 wells, 3 times as many as were drilled over the same period. In fact, on an annual basis, since 2015, Gear has exceeded the industry ratio in all provinces, usually by a substantial margin.



With the forecast for zero net debt to be achieved in 2022, Gear has the financial ability to make an even more significant improvement in corporate liabilities while still forecasting growth and potential shareholder returns. Between a company abandonment budget of $5 million plus an estimate of $2 million of government funding, Gear plans to abandon approximately 175 wells in 2022. The forecasted ratio of wells abandoned to wells drilled in 2022 will be approaching 10 times under this scenario. That ratio is almost off the chart.

In parallel with abandonment activity, Gear will continue to focus on other liability reducing projects like removing shut in facilities and targeting the clean up decommissioned pipelines. Gear also intends to continue dedicating financing and resources to reclaiming the land associated with all these abandonments. Unfortunately, the reclamation process is one fraught with administrative burdens that significantly challenge the success of the activities. Hopefully the regulators can help to reduce red tape and encourage as much future investment in reclamation as they have in abandonment activity.

Regardless, of what may happen in the future with regulations and external funding, Gear has a history of successfully exceeding the results demonstrated by industry to date and is in the enviable financial position to continue excelling in this important part of the business.

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.