GEAR ENERGY

Monthly Update

February 25, 2022
Vol. 9 Issue 1

FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

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

	Q1 21	Q2 21	Q3 21	Nov-21	Dec-21	Q4 21	2021	Jan-22	2022 TD
WTI Benchmark Price ($US/bbl)	57.84	66.07	70.56	78.65	71.69	77.19	67.57	82.98	82.98
WCS Heavy Oil Differential ($US/bbl)	(12.47)	(11.49)	(13.58)	(13.40)	(18.58)	(14.63)	(12.45)	(17.38)	(17.38)
MSW Light Oil Differential (US$/bbl)	(5.24)	(3.11)	(4.08)	(2.02)	(3.89)	(3.10)	(3.88)	(4.77)	(4.77)
Funds from Operations ($MM)	8.3	12.2	16.0	6.9	4.3	17.9	54.4	5.2	5.2
Capital and Abandonment Expenditures ($MM)	8.3	6.0	10.3	2.6	0.9	5.9	30.5	2.9	2.9
Net Debt ($MM)	42.9	33.4	27.9	19.2	15.8	15.8	15.8	13.5	13.5
Production (boe/d)	5,335	5,440	5,859	6,521	5,725	6,059	5,676	5,455	5,455

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

As we approach the end of February it is hard not to look forward to the spring. Although personally I will miss snowboarding, from a professional perspective, myself and the rest of the Gear team are very much looking forward to the ease of field operations that accompanies the warmer weather. It has been a tough winter so far with another month of production and sales being partially impeded by the weather. At the end of January, Gear had over 10,000 barrels of excess oil in inventory that we plan to sell before the end of the first quarter. And again, we would be remiss if we did not tip our hats to the hard-working Gear folks out in the field who have braved the weather to keep our oil and gas flowing.

Another reason to look forward to this spring in particular is located in Provost, Alberta. Within this new Gear core area, we have had a drilling rig working non-stop since the first week of January. Three wells have been successfully drilled so far and we are within days of finishing the fourth and final well, all accessed from the same surface location. The reason why we are excited to finish this well, is once it is complete, we can finally move the drilling rig off the shared location and start bringing all of those new wells on production.

Planning multi-well surface locations such as this one has always been a strategic focus for Gear, as it provides significant future benefits at the cost of some initial patience. Some of the key advantages include:

- Smaller surface footprint yielding reduced environmental impact
- Lower land costs per unit of production.
- Single surface site for ease of operations, limited roads, and direct access to multiple well pipelines (for current production, and future water injection)

The application of multi-lateral horizontal drilling in medium and heavy oil operations has made the use of multi-well pads even more effective. Modern drilling technology coupled with optimized well designs gives Gear the ability to maximize per well revenue while pushing down per well costs.

In Provost, this new pad site will be home to four wells with a planned total of 14 horizontal legs and a combined horizontal length of almost 20,000 meters of open hole. While the new well productivities are yet to be determined, these wells should enjoy similar benefits to those experienced by the existing Provost multi-lateral horizontal wells; high productivity per pad site, single digit royalties due to the impact of horizontal lengths in the crown royalty formula and sub $10 per boe operating costs.

When you couple all these cost benefits with the current strength in Canadian medium and heavy oil prices, we think our strategy and our patience will be well rewarded.

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.