GEAR ENERGY

NEWS RELEASE

GEAR ENERGY LTD. ANNOUNCES FOURTH QUARTER 2021 OPERATING RESULTS AND YEAR-END RESERVES SUMMARY

CALGARY, ALBERTA (February 16, 2022) Gear Energy Ltd. ("Gear" or the "Company") (TSX:GXE) (OTCQX:GENGF) is pleased to provide the following fourth quarter operating results and reserves summary to shareholders. Gear's Consolidated Financial Statements and related Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2021 are available for review on Gear's website at www.gearenergy.com and on www.sedar.com.

	Three months ended			Year ended	
(Cdn$ thousands, except per share, share and per boe amounts)	**Dec 31, 2021**	Dec 31, 2020	Sep 30, 2021	**Dec 31, 2021**	Dec 31, 2020
FINANCIAL					
Funds from operations (1)	**17,938**	8,253	15,955	**54,368**	33,429
Per boe	**32.18**	15.41	29.60	**26.24**	17.24
Per weighted average basic share	**0.07**	0.04	0.06	**0.22**	0.15
Cash flows from operating activities	**17,421**	8,016	9,601	**51,881**	30,217
Net income (loss)	**78,117**	39,349	6,608	**80,498**	(77,324)
Per weighted average basic share	**0.30**	0.18	0.03	**0.32**	(0.36)
Capital expenditures	**4,936**	386	10,256	**28,884**	12,441
Decommissioning liabilities settled (2)	**1,566**	726	944	**4,641**	1,505
Net acquisitions (3)	**-**	-	-	**-**	3
Net debt (1)	**15,830**	52,864	27,860	**15,830**	52,864
Weighted average shares, basic (thousands)	**259,360**	216,490	258,274	**248,665**	216,545
Shares outstanding, end of period (thousands)	**260,169**	216,490	259,107	**260,169**	216,490
OPERATING					
Production					
Heavy oil (bbl/d)	**3,282**	3,236	3,325	**3,211**	2,985
Light and medium oil (bbl/d)	**1,773**	1,657	1,656	**1,604**	1,507
Natural gas liquids (bbl/d)	**231**	182	176	**169**	169
Natural gas (mcf/d)	**4,637**	4,477	4,215	**4,149**	3,825
Total (boe/d)	**6,059**	5,821	5,859	**5,676**	5,298
Average prices					
Heavy oil ($/bbl)	**73.27**	36.16	67.86	**64.05**	32.64
Light and medium oil ($/bbl)	**88.99**	48.10	80.49	**77.51**	45.41
Natural gas liquids ($/bbl)	**59.50**	26.02	47.48	**47.90**	19.56
Natural gas ($/mcf)	**4.81**	2.69	3.62	**3.71**	2.24
Netback ($/boe)					
Petroleum and natural gas sales	**71.69**	36.68	65.29	**62.28**	33.55
Royalties	**(8.11)**	(4.38)	(7.50)	**(6.82)**	(3.51)
Operating costs	**(16.94)**	(14.83)	(17.44)	**(17.13)**	(14.80)
Transportation costs	**(3.00)**	(1.96)	(2.04)	**(2.30)**	(2.20)
Operating netback (1)	**43.64**	15.51	38.31	**36.03**	13.04
Realized risk management (loss) gain	**(8.20)**	4.67	(5.13)	**(5.92)**	8.85
General and administrative	**(2.55)**	(2.41)	(2.70)	**(2.57)**	(2.67)
Interest	**(0.71)**	(2.25)	(1.01)	**(1.24)**	(2.00)
Realized (loss) gain on foreign exchange	**-**	(0.11)	0.13	**(0.05)**	0.02
TRADING STATISTICS					
($ based on intra-day trading)					
High	**1.09**	0.31	0.89	**1.09**	0.50
Low	**0.76**	0.15	0.53	**0.25**	0.08
Close	**0.92**	0.29	0.83	**0.92**	0.29
Average daily volume (thousands)	**2,887**	320	2,145	**2,349**	510

(1) Funds from operations, net debt and operating netback do not have any standardized meanings under Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures presented by other entities. For additional information related to these measures, including a reconciliation to the nearest GAAP measures, where applicable, see "Non-GAAP and Other Financial Measures" in this press release.

(2) Decommissioning liabilities settled includes expenditures made by both Gear and the federal government's Site Rehabilitation Program.

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

MESSAGE TO SHAREHOLDERS

Gear Energy delivered highly successful operational and financial results through 2021 that have compounded into growth in shareholders' value. Some of the many achievements are highlighted below.

Gear was able to grow annual production by seven per cent from year-end 2020 while investing only 53 per cent of 2021 Funds from Operations ("FFO"). More importantly over the same time period, Gear grew production by 67 per cent per debt adjusted share. Additionally, as a result of prudent investments into high quality drilling and waterflood opportunities, Gear was able to increase reserves organically by 24 per cent, (88 per cent per debt adjusted share), and replace 183 per cent of 2021 production on a Proved Developed Producing ("PDP") basis. All of this was accomplished with a record low PDP finding and development ("F&D") cost of $8.54 per boe and a record high PDP recycle ratio of 4.2 times. Similar strong numbers were achieved for the Total Proved ("TP") and Proved plus Probable ("P+P") reserve categories. While delivering these strong operational results, Gear also reduced net debt by 70 per cent from year-end 2020 and delivered a record low net debt to annualized FFO ratio of 0.2 times for the quarter and 0.3 times for the year.

Through 2021, Gear's team and assets have continued to demonstrate the capability to be very competitive. The total 2021 development capital investment of $28.9 million is projected to deliver a record high 162 per cent internal rate of return, using P+P reserves estimates from the evaluation prepared by Sproule Associates Ltd. ("Sproule") and the evaluator average price forecast. In addition, the realization of incremental reserves as a result of success in Gear's waterflood projects have increased sustainability by extending PDP and TP reserves life indices and lowering future capital requirements to maintain production.

Gear is excited to report that it is currently projecting to reach zero net debt by the second quarter of this year. Gear will be one of the first in the Canadian energy sector to reach this milestone. Upon successfully reaching this goal, Gear will then be able to add potential share buybacks or dividends to the tool chest of opportunities designed to further enhance future shareholder returns.

FOURTH QUARTER HIGHLIGHTS

- Funds from operations for the fourth quarter of 2021 was $17.9 million, (net of a $4.6 million hedging cost), an increase of 12 per cent from the third quarter of 2021 as a result of higher commodity prices and increased production. Fourth quarter realized prices increased to $71.69 per boe from $65.29 per boe in the third quarter of 2021. The improved commodity prices were primarily driven by an increase in the WTI benchmark oil price which averaged US$77.19 per barrel in the fourth quarter.

- Operating netback for the fourth quarter of 2021 was $43.64 per boe, Gear's highest operating netback since the second quarter of 2014 when WTI averaged US$103 per barrel. Operating costs inclusive of transportation were $0.46 per boe higher than the third quarter of 2021 due to a combination of gas conservation costs, seasonal weather and inflationary pressures.

- Production for the fourth quarter of 2021 was 6,059 boe per day, an increase of three per cent from the third quarter of 2021 as a result of new production from the 2021 drilling program. Gear had previously targeted fourth quarter production of approximately 6,250 boe per day but experienced extreme cold weather conditions during the month of December, leading to well freeze-ups. These conditions continued into January 2022 with production finally normalizing through February.

- Capital activity during the fourth quarter of 2021 was minimal, with Gear drilling one gross (0.3 net) light oil well in Wilson Creek, Alberta. This well was brought on production in 2022. In addition, Gear continued its investment in various waterflood opportunities. In total, Gear incurred $4.9 million of capital expenditures for the quarter.

- Deleveraging continued for the fourth quarter, with Gear exiting the quarter with $15.8 million in net debt, a reduction of $12.0 million from the third quarter. Net debt to quarterly annualized FFO for the quarter was 0.2 times.

- In the fourth quarter Gear realized a hedging loss of $8.20 per boe compared to the third quarter of 2021 of $5.13 per boe. Gear's future hedges are as follows and have been structured to capture as much upside in a commodity price recovery as possible with the use of wide collars and put spreads.

	Q1 2022	**Q2 2022**	**Q3 2022**	**Q4 2022**	**2023**
Volume (bbl/d)	2,400	2,400	2,400	1,200	-
Type	WTI 3-way collar	WTI put spread	WTI 3-way collar	WTI 3-way collar	N/A
Pricing (C$/bbl)	50 x 62.50 x 86	50 x 62.50 premium of $2.32	50 x 62.50 x 116.50	50 x 65 x 120	N/A

2021 ANNUAL HIGHLIGHTS

- Delivered production of 5,676 boe per day for 2021, an increase of seven per cent over 2020 despite only investing 53 per cent of FFO into capital expenditures.

- Posted year-end net debt of $15.8 million with a net debt to FFO ratio of 0.3 times for the year. This represents a substantial $37.0 million or 70 per cent reduction from year end 2020.

- Generated $54.4 million of FFO or $26.24 per boe. FFO prior to hedging costs was $66.7 million or $32.16 per boe.

- Successfully invested $28.9 million to drill 20 gross (18.7 net) wells, install and optimize multiple waterflood projects, complete various recompletion opportunities and fund other corporate capital. This investment provided an estimated 1,750 boe per day of new production, more than offsetting annual base decline.

- Gear was able to reduce the year over year estimate of total decommissioning liabilities by 10 per cent from $87.5 million to $79.1 million, through the investment of $1.6 million from the Company, $3.0 million of Government sponsored funds and an improved estimate for remaining future asset retirement costs.

2022 OUTLOOK

On November 3, 2021, Gear released its 2022 capital budget. Gear would like to reaffirm the following targets for the year:

1. Three to four per cent annual growth in production through low-risk investment into core area drilling and waterflood opportunities;
2. Achievement of zero net debt in the first half of the year;
3. Continued commitment to improving Gear's Environmental, Social and Governance performance including reducing its environmental footprint through abandonment and reclamation activities; and
4. The ability to return funds from operations to shareholders through potential share buybacks and/or dividends.

As a result of higher forecasted commodity prices, 2022 Guidance has been revised with respect to the royalty rate from 11 per cent to 13 per cent and the interest expense from $0.35 per boe to $0.25 per boe.

2022 GUIDANCE

	2022 Revised Guidance	2022 Original Guidance	2021 Actuals
Annual Production (boe/d)	**5,900 – 6,000**	5,900 – 6,000	5,676
Heavy oil weighting (%)	**49**	49	57
Light/Medium oil and NGLs weighting (%)	**38**	38	31
Royalty rate (%)	**13**	11	11
Operating and transportation costs ($/boe)	**19.50**	19.50	19.43
General and administrative expense ($/boe)	**3.35**	3.35	2.57
Interest expense ($/boe)	**0.25**	0.35	1.24
Capital and abandonment expenditures ($ millions)	**40**	40	31

Using various WTI price forecasts for 2022 and assuming a WCS differential of US$13 per barrel, MSW and LSB differentials of US$3 per barrel, AECO gas price of C$3.50 per GJ, and a foreign exchange of US$0.79 per C$, Gear is forecasting 2022 funds from operations ("FFO") as follows:

WTI US$	**75**	**85**	**95**
FFO ($ millions)	82	100	117
Capital and abandonment expenditures ($ millions)	40	40	40
FFO less capital and abandonment expenditures ($ millions)	42	60	77

2021 YEAR END RESERVES HIGHLIGHTS

- Gear achieved the following reserves highlights through 2021 activity, compared to 2020 results including full corporate abandonment and reclamation obligation ("ARO") costs. No acquisitions were completed in 2021; as such, FD&A costs are equivalent to F&D costs.

  Proved Developed Producing ("PDP")
  - 3.80 MMboe of additions
  - Reserves increased 24 per cent, 88 per cent per Debt Adjusted ("DA") share (1)
  - Reserves value on a Before Tax 10 per cent discounted basis ("BT10") increased 116 per cent, 227 per cent on a per DA share basis(1)
  - Replaced 183 per cent of 2021 annual production
  - F&D (and FD&A) cost(1) of $8.54/boe including change in Future Development Capital ("FDC")
  - Recycle ratio(1) of 4.2x based on 2021 operating netback(1) of $36.03/boe (before hedging)

  Total Proved ("TP")
  - 5.73 MMboe of additions
  - Reserves increased 28 per cent, 94 per cent per DA share(1)
  - Reserves value BT10 increased 122 per cent, 237 per cent on a per DA share basis(1)
  - Replaced 276 per cent of 2021 annual production
  - F&D cost(1) of $12.28/boe including change in FDC
  - Recycle ratio(1) of 2.9x

  Total Proved plus Probable ("P+P")
  - 4.90 MMboe of additions
  - Reserves increased 12 per cent, 70 per cent per DA share(1)
  - Reserves value BT10 increased 80 per cent, 173 per cent on a per DA share basis(1)
  - Replaced 236 per cent of 2021 annual production
  - F&D cost(1) of $8.13/boe including change in FDC
  - Recycle ratio(1) of 4.4x

- Corporate liquids weighting decreased to 87 per cent from 90 per cent for the P+P reserves case. Light/medium oil and Natural Gas Liquids ("NGLs") decreased two per cent while heavy oil dropped by one per cent and gas increased by three per cent. Corporate P+P reserves are now balanced 42 per cent heavy oil, 39 per cent light and medium oil, 6 per cent NGLs and 13 per cent gas.

- In aggregate, the reserves associated with the 2021 capital development program came in on target. Reserves additions across all categories were achieved primarily through a combination of the following:

  - Successful new drilling in Paradise Hill, Wildmere, Provost, Tableland and Wilson Creek
  - Base performance revisions in Paradise Hill, Tableland and Wildmere
  - Recognition of waterflood implementation and response in Wilson Creek, Maidstone and Wildmere
  - Economic factors as a percentage of annual reserves additions were 20 per cent, 40 per cent and 54 per cent for PDP, TP and P+P values, respectively

- Management's annual estimate of future potential drilling locations decreased to 440 un-risked net locations as a result of high grading the future inventory through increased use of multi-laterals, increased inter-well spacing, and the impacts of land expiries. The Sproule evaluation currently recognizes 97 net locations in the TP category and 160 in the P+P category. These booked locations represent 22 and 36 per cent of management's estimates, respectively. The 160 net booked P+P locations include 41 multi-lateral horizontals, 103 single lateral horizontals and 16 vertical wells.

- Corporate Net Asset Values ("NAV") BT10(2) are $0.57 per share for PDP, $0.90 per share for TP and $1.49 per share for P+P utilizing the price forecast at January 1, 2022 used in the Sproule evaluation. These values represent a respective 475 per cent, 310 per cent and 186 per cent increase from the prior year. Additional NAV values at various flat price scenarios and discount rates are highlighted within.

- The Reserves Life Index ("RLI") (3) for each category are 4.6 years for PDP, 7.4 years for TP, and 10.1 years for P+P. These values represent seven per cent improvement for PDP and TP and a six per cent reduction for P+P when compared to the prior year.

(1) FD&A cost, F&D cost, reserves per DA share, reserves per DA share, reserves value BT10 per DA share, recycle ratio and operating netback do not have any standardized meanings under GAAP and therefore are considered non-GAAP ratios and may not be comparable to similar measures presented by other entities. For additional information related to these measures see "Efficiency Ratios" and "Non-GAAP and Other Financial Measures" in this press release.

(2) Net Asset Value is a supplementary financial measure. See "Efficiency Ratios" and "Non-GAAP and Other Financial Measures" in this press release for an explanation of the composition of this supplementary financial measure
(3) Reserves Life Index is an oil and gas metric that does not have a standardized meaning and therefore may not be comparable to similar measures presented by other entities. For additional information related to this measure see "Oil and Gas Metrics" in this press release.

RESERVES SUMMARY

Year-end 2021 reserves were evaluated by independent reserves evaluator Sproule Associates Ltd. ("Sproule") in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). A reserves committee, comprised of independent board members, reviews the qualifications and appointment of the independent reserves evaluator and reviews the procedures for providing information to the evaluators. The reserves evaluation was based on an average of price forecasts prepared by Sproule, GLJ Petroleum Consultants Ltd. and McDaniel & Associates Consulting Ltd. effective at January 1, 2022. Reserves included herein are stated on a company gross basis (working interest before deduction of royalties without inclusion of any royalty interests) unless noted otherwise. Additional reserves information required under NI 51-101 will be included in Gear's Annual Information Form to be filed on SEDAR on or before March 31, 2022.

The following tables outline Gear's reserves as at December 31, 2021. No provision for interest, risk management contracts, debt service charges and general and administrative expenses have been made and it should not be assumed that the net present values of the reserves estimated by Sproule represents the fair market value of the reserves.

Reserves Summary at Dec 31, 2021 Using Forecast Costs and January 1, 2022 Evaluator Average Forecast Prices

Company Gross	**Light & Medium Oil (Mbbl)**	**Heavy Oil (Mbbl)**	**NGL's (Mbbl)**	**Natural Gas (MMcf)**	**Equivalent (Mboe)**	**Liquids Ratio (%)**
Proved Developed Producing	3,747	3,180	519	8,910	8,931	83
Proved Non-Producing & Undeveloped	3,172	3,082	533	5,596	7,720	88
Total Proved	6,919	6,263	1,053	14,505	16,651	85
Probable Developed Producing	1,245	866	160	2,775	2,734	83
Probable Non-Producing & Undeveloped	2,139	3,842	285	4,043	6,940	90
Total Probable	3,385	4,708	445	6,818	9,674	88
Total Proved plus Probable	10,303	10,970	1,498	21,324	26,325	86

Net Present Value of Future Revenues Including Full ARO Before Income Taxes Under Forecast Prices and Costs

Company Gross ($ thousands)	**Undiscounted**	**Discounted @ 5%**	**Discounted @ 10%**	**Discounted @ 15%**	**Discounted @ 20%**
Proved Developed Producing	146,729	166,915	159,119	147,696	137,105
Proved Non-Producing & Undeveloped	156,215	112,700	83,696	63,753	49,494
Total Proved	302,945	279,615	242,815	211,449	186,600
Probable Developed Producing	86,452	59,271	44,106	34,941	28,905
Probable Non-Producing & Undeveloped	190,958	141,036	109,408	87,863	72,339
Total Probable	277,409	200,306	153,513	122,805	101,245
Total Proved plus Probable	580,354	479,921	396,328	334,254	287,844

Net Future Development Capital ("FDC") Under Forecast Prices and Costs

($ thousands)	**Proved**	**Probable**	**Total**
2022	22,057	12,973	35,030
2023	47,097	33,943	81,040
2024	66,821	11,713	78,534
2025	9,166	12,380	21,546
2026	6,516	8,145	14,661
Undiscounted Total	151,657	109,633	230,810

EFFICIENCY RATIOS

The following table highlights annual capital efficiency through F&D and FD&A costs per boe metrics.

	2021			2020		
Reserves (mboes), Capital ($ thousands)	**PDP**	**TP**	**P+P**	PDP	TP	P+P
Development Reserves Additions	**3,797**	**5,725**	**4,899**	280	(1,186)	(1,732)
Net Acquisition Reserves Additions	**-**	**-**	**-**	(3)	(127)	(346)
Total Reserves Additions	**3,797**	**5,725**	**4,899**	283	(1,313)	(2,078)
Development capital	**28,884**	**28,884**	**28,884**	11,775	11,775	11,775
Development change in FDC	**3,538**	**41,436**	**10,956**	-	(41,825)	(41,082)
Total development capital including FDC	**32,422**	**70,320**	**39,840**	11,775	(30,050)	(29,307)
Net acquisition capital	**-**	**-**	**-**	3	3	3
Net acquisition change in FDC	**-**	**-**	**-**	-	-	-
Total net acquisition capital including FDC	**-**	**-**	**-**	3	3	3
Total capital	**28,884**	**28,884**	**28,884**	11,778	11,778	11,778
Total change in FDC	**3,538**	**41,436**	**10,956**	-	(41,825)	(41,082)
Total capital including FDC	**32,422**	**70,320**	**39,840**	11,778	(30,047)	(29,304)
F&D costs with FDC per boe	**8.54**	**12.28**	**8.13**			
FD&A costs with FDC per boe	**8.54**	**12.28**	**8.13**			
3 Year average FD&A including FDC per boe	**21.78**	**18.47**	**17.57**			
Recycle ratio (FD&A with FDC)	**4.2**	**2.9**	**4.4**			

Reserves Life Index ("RLI")

(years)	**2021**	**2020**	**2019**
Proved Developed Producing	**4.6**	4.3	4.2
Total Proved	**7.4**	6.9	6.6
Total Proved plus Probable	**10.1**	10.7	9.4

Net Asset Value ("NAV") at December 31, 2021

($ millions, except per share amounts)	**2021**	2020
Value of Company Interest Proved plus Probable Reserves Discounted at 10% (Before Tax)	**396.2**	220.3
Undeveloped Land	**6.3**	5.7
Net Debt	**(15.8)**	(52.9)
NAV	**386.7**	173.1
Shares Outstanding (millions)	**260.2**	216.5
NAV per Share	**1.49**	0.80

Using various constant WTI price forecasts and assuming a WCS differential of US$13 per barrel, MSW and LSB differentials of US$3 per barrel, AECO gas price of C$3.50 per GJ, and a foreign exchange of US$0.79 per C$, NAV's at December 31, 2021 at various discount rates before tax are as follows:

NAV per Share	**Discount Rate (%)**	**Evaluator Average Forecast Prices, Jan 1, 2022**	**WTI US$75/bbl**	**WTI US$85/bbl**	**WTI US$95/bbl**
Proved Developed Producing	10	0.57	0.78	0.98	1.19
Total Proved	10	0.90	1.28	1.68	2.07
Total Proved plus Probable	10	1.49	2.04	2.62	3.20
Proved Developed Producing	5	0.60	0.87	1.11	1.35
Total Proved	5	1.04	1.52	2.00	2.47
Total Proved plus Probable	5	1.81	2.50	3.22	3.92

RESERVES RECONCILIATION

Reserves Reconciliation Company Gross	Heavy Oil (Mbbl)	Light & Medium Oil (Mbbl)	Natural Gas (MMcf)	Natural Gas Liquids (Mbbl)	Oil Equivalent (Mboe)
Proved Producing					
Opening Balance, January 1, 2021	2,483	3,406	6,084	302	7,205
Technical Revisions	1,222	80	2,894	209	1,995
Drilling Extensions	-	43	29	1	48
Infill Drilling	116	195	271	18	374
Improved Recovery	192	393	218	19	640
Acquisitions	-	-	-	-	-
Dispositions	-	-	-	-	-
Economic Factors	340	214	928	32	741
Production	(1,172)	(585)	(1,514)	(62)	(2,072)
Closing Balance, December 31, 2021	**3,180**	**3,747**	**8,910**	**519**	**8,931**
Total Proved					
Opening Balance, January 1, 2021	5,433	5,716	8,427	444	12,998
Technical Revisions	514	(50)	4,451	474	1,680
Drilling Extensions	262	43	263	1	349
Infill Drilling	331	252	317	20	656
Improved Recovery	283	393	218	19	731
Acquisitions	-	-	-	-	-
Dispositions	-	-	-	-	-
Economic Factors	612	1,150	2,343	156	2,309
Production	(1,172)	(585)	(1,514)	(62)	(2,072)
Closing Balance, December 31, 2021	**6,262**	**6,919**	**14,505**	**1,053**	**16,651**
Proved plus Probable					
Opening Balance, January 1, 2021	10,114	10,371	13,901	696	23,498
Technical Revisions	(553)	(563)	6,706	794	796
Drilling Extensions	287	-	83	-	301
Infill Drilling	286	409	457	11	782
Improved Recovery	378	-	17	-	381
Acquisitions	-	-	-	-	-
Dispositions	-	-	-	-	-
Economic Factors	1,632	671	1,674	58	2,640
Production	(1,172)	(585)	(1,514)	(62)	(2,072)
Closing Balance, December 31, 2021	**10,970**	**10,303**	**21,324**	**1,498**	**26,325**

FORECAST PRICES AND COSTS

Evaluator average crude oil and natural gas benchmark reference pricing, inflation, and exchange rates utilized by Sproule as at January 1, 2022 were as follows:

Year	Inflation (%)	Exchange Rate (USD/CAD)	WTI Cushing (40 API) (USD/bbl)	Edmonton MSW (40 API) (CAD/bbl)	WCS Hardisty (21 API) (CAD/bbl)	AECO/NIT Spot (CAD/mmbtu)
2022	0.00	0.797	72.83	86.82	74.42	3.56
2023	2.33	0.797	68.78	80.73	69.17	3.21
2024	2.00	0.797	66.76	78.01	66.54	3.05
2025	2.00	0.797	68.09	79.57	67.87	3.11
2026	2.00	0.797	69.45	81.16	69.23	3.17
2027	2.00	0.797	70.84	82.78	70.61	3.23
2028	2.00	0.797	72.26	84.44	72.02	3.30
2029	2.00	0.797	73.70	86.13	73.46	3.36
2030	2.00	0.797	75.18	87.85	74.69	3.43
2031	2.00	0.797	76.68	89.61	76.19	3.50
2032+	2.00	0.797	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr

GEAR ENERGY LTD.
CONSOLIDATED BALANCE SHEETS (unaudited)
As at December 31

(Cdn$ thousands)		**2021**		2020
ASSETS				
Current assets				
Accounts receivable	**$**	**12,383**	$	8,539
Prepaid expenses		**3,212**		3,176
Inventory		**6,631**		5,621
		22,226		17,336
Deferred income tax asset		**32,888**		-
Property, plant and equipment		**263,649**		244,940
Total assets	**$**	**318,763**	$	262,276
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**11,701**	$	6,266
Debt		**-**		5,000
Decommissioning liability		**7,343**		2,714
Risk management contracts		**2,595**		19
		21,639		13,999
Debt		**26,355**		45,749
Convertible debentures		**-**		12,843
Decommissioning liability		**71,721**		84,756
Total liabilities		**119,715**		157,347
SHAREHOLDERS' EQUITY				
Share capital		**350,332**		333,711
Convertible debentures		**-**		2,494
Contributed surplus		**19,337**		19,843
Deficit		**(170,621)**		(251,119)
Total shareholders' equity		**199,048**		104,929
Total liabilities and shareholders' equity	**$**	**318,763**	$	262,276

GEAR ENERGY LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)
For the years ended December 31
(Cdn$ thousands)

	Share Capital	Convertible Debentures	Contributed Surplus	Deficit	Total Equity
Balance at December 31, 2019	$ 335,455	$ 2,498	$ 18,097	$ (173,795)	$ 182,255
Common shares repurchased	(1,764)	-	1,274	-	(490)
Conversion of convertible debentures	20	(4)	-	-	16
Share-based compensation	-	-	472	-	472
Net loss for the year	-	-	-	(77,324)	(77,324)
Balance at December 31, 2020	**$ 333,711**	**$ 2,494**	**$ 19,843**	**$ (251,119)**	**$ 104,929**
Conversion of convertible debentures	15,679	(2,494)	-	-	13,185
Stock option exercise	942	-	(1,004)	-	(62)
Share-based compensation	-	-	498	-	498
Net income for the year	-	-	-	80,498	80,498
Balance at December 31, 2021	**$ 350,332**	**$ -**	**$ 19,337**	**$ (170,621)**	**$ 199,048**

GEAR ENERGY LTD.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) (unaudited)

(Cdn$ thousands, except per share amounts)	Three Months Ended December 31 **2021**	Three Months Ended December 31 2020	Year Ended December 31 **2021**	Year Ended December 31 2020
REVENUE				
Petroleum and natural gas sales	**$ 39,961**	$ 19,644	**$ 129,027**	$ 65,057
Royalties	**(4,519)**	(2,344)	**(14,133)**	(6,812)
	35,442	17,300	**114,894**	58,245
Realized (loss) gain on risk management contracts	**(4,572)**	2,500	**(12,271)**	17,163
Unrealized (loss) gain on risk management contracts	**3,952**	(2,597)	**(2,576)**	3,075
	34,822	17,203	**100,047**	78,483
EXPENSES				
Operating	**9,445**	7,944	**35,498**	28,692
Transportation	**1,670**	1,047	**4,755**	4,267
General and administrative	**1,422**	1,253	**5,332**	5,181
Interest and financing charges	**395**	1,204	**2,572**	3,881
Depletion, depreciation and amortization	**9,745**	8,845	**35,423**	32,448
Impairment (reversal)	**(33,675)**	(42,633)	**(33,675)**	55,573
Accretion	**353**	368	**1,865**	1,641
Share-based compensation	**167**	78	**498**	472
Loss on foreign exchange	**-**	60	**98**	683
Convertible debenture modification	**-**	(351)	**-**	(351)
Other costs	**71**	39	**71**	39
	(10,407)	(22,146)	**52,437**	132,526
Deferred income tax recovery (expense)	**32,888**	-	**32,888**	(23,281)
Net income (loss) and comprehensive income (loss)	**$ 78,117**	$ 39,349	**$ 80,498**	$ (77,324)
Net income (loss) per share, basic	**$ 0.30**	$ 0.18	**$ 0.32**	$ (0.36)
Net income (loss) per share, diluted	**$ 0.29**	$ 0.15	**$ 0.31**	$ (0.36)

GEAR ENERGY LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(Cdn$ thousands)	Three Months Ended December 31 **2021**	2020	Year Ended December 31 **2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	**$ 78,117**	$ 39,349	**$ 80,498**	$ (77,324)
Add items not involving cash:				
Unrealized loss (gain) on risk management contracts	**(3,952)**	2,597	**2,576**	(3,075)
Depletion, depreciation and amortization	**9,745**	8,845	**35,423**	32,448
Impairment (reversal)	**(33,675)**	(42,633)	**(33,675)**	55,573
Accretion	**353**	368	**1,865**	1,641
Share-based compensation	**167**	78	**498**	472
Convertible debenture modification	**-**	(351)	**-**	(351)
Unrealized loss on foreign exchange	**-**	-	**-**	725
Other costs	**71**	-	**71**	39
Deferred income tax (recovery) expense	**(32,888)**	-	**(32,888)**	23,281
Decommissioning liabilities settled	**(1,000)**	(141)	**(1,619)**	(920)
Change in non-cash working capital	**483**	(96)	**(868)**	(2,292)
	17,421	8,016	**51,881**	30,217
CASH FLOWS USED IN FINANCING ACTIVITIES				
Repayments of debt under credit facilities	**(11,450)**	(7,216)	**(24,394)**	(14,230)
Settlement of stock options	**-**	-	**(29)**	-
Exercise of stock options	**(22)**	-	**(33)**	-
Common shares repurchased	**-**	-	**-**	(490)
	(11,472)	(7,216)	**(24,456)**	(14,720)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Property, plant and equipment expenditures	**(4,936)**	(386)	**(28,884)**	(12,441)
Net acquisition of petroleum and natural gas properties	**-**	-	**-**	(3)
Change in non-cash working capital	**(1,013)**	(414)	**1,459**	(3,053)
	(5,949)	(800)	**(27,425)**	(15,497)
INCREASE IN CASH AND CASH EQUIVALENTS	**-**	-	**-**	-
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**-**	-	**-**	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ -**	$ -	**$ -**	$ -

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 continuation of making the balance sheet a strategic priority in 2022; the projection of net debt to be zero in the second quarter of 2022 using current forecasted prices; the transitioning towards a financial strategy that includes material returns to shareholders through potential for share buybacks, dividends, and expanded growth and acquisition opportunities; future hedges structured to capture as much upside in a commodity price recovery; 2022 outlook that targets three to four per cent annual growth in production through low-risk investment into core area drilling and waterflood opportunities, continued commitment of Gear's environmental footprint through abandonment and reclamation activities, and the ability to return free funds from operations to shareholders through a combination of share buybacks and/or dividends; 2022 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; and 2022 FFO and FFO less capital and abandonment expenditures at various WTI prices.

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; and the impact of competitors. In addition, any future share buybacks, payments of dividends or any other distributions to shareholders will depend on the Board of Directors of Gear determining that such actions are in the best interests of the Company. Gear's Board of Directors may determine that any available cash should be allocated for other purposes such as acquisitions or additional capital expenditures instead of making distributions to shareholders. In addition, forward-looking information and statements are subject to 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 and Other Financial Measures

This press release includes references to non-GAAP and other financial measures that Gear uses to analyze financial performance. These specified financial measures include non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures, and are not defined by IFRS and are therefore referred to as non-GAAP and other financial measures. Management believes that the non-GAAP and other financial measures used by the Company 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. These non-GAAP and other financial measures should not be considered an alternative to or more meaningful than their most directly comparable financial measure presented in the financial statements, as an indication of the Company's performance. Descriptions of the non-GAAP and other financial measures used by the Company as well as reconciliations to the most directly comparable GAAP measure for the year ended December 31, 2021 and December 31, 2020, where applicable, is provided below.

Funds from Operations

Funds from operations is a non-GAAP financial 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 for management and investors as it demonstrates the Company's ability to generate the funds from operations necessary to fund its capital program and decommissioning liabilities and repay debt. The following is a reconciliation of funds from operations from cash flows from operating activities.

Reconciliation of cash flows from operating activities to funds from operations:

	Three months ended			Year ended	
	Dec 31, 2021	Dec 31, 2020	Sep 30, 2021	Dec 31, 2021	Dec 30, 2020
($ thousands)					
Cash flows from operating activities	17,421	8,016	9,601	51,881	30,217
Decommissioning liabilities settled (1)	1,000	141	40	1,619	920
Change in non-cash working capital	(483)	96	6,314	868	2,292
Funds from operations	17,938	8,253	15,955	54,368	33,429

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

Funds from Operations per BOE

Funds from operations per boe is a non-GAAP ratio calculated as funds from operations, as defined and reconciled to cash flows from operating activities above, divided by sales production for the period. Gear considers this a useful non-GAAP ratio for management and investors as it evaluates financial performance on a per boe level, which enables better comparison to other oil and gas companies in demonstrating 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 weighted average basic share

Funds from operations per weighted average basic share is a non-GAAP ratio calculated as funds from operations, as defined and reconciled to cash flows from operating activities above, divided by the weighted average basic share amount. Gear considers this non-GAAP ratio a useful measure for management and investors as it demonstrates its ability to generate the funds from operations, on a per weighted average basic share basis, necessary to fund its capital program and settle decommissioning liabilities and repay debt.

Net Debt

Net debt is a capital management measure defined as debt plus amounts outstanding under subordinated convertible debentures ("Convertible Debentures") less current working capital items (excluding debt, Convertible Debentures, risk management contracts and decommissioning liabilities). Gear believes net debt provides management and investors with a measure that is 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.

Reconciliation of debt to net debt:

Capital Structure and Liquidity ($ thousands)	Dec 31, 2021	Dec 31, 2020
Debt	26,355	50,749
Convertible Debentures (at face value) (1)	-	13,185
Working capital (surplus) (2)	(10,525)	(11,070)
Net debt	15,830	52,864

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

Net Debt to Funds from Operations
Net debt to funds from operations is a non-GAAP ratio and is defined as net debt, as defined and reconciled to debt above, divided by the funds from operations, as defined and reconciled to cash flows from operating activities above, for the year. Gear uses net debt to funds from operations to analyze financial and operating performance. Gear considers this a key measure for management and investors as it demonstrates the Company's ability to pay off its debt and take on new debt, if necessary, using the most recent annual results.

Net Debt to Quarterly Annualized Funds from Operations
Net debt to quarterly annualized funds from operations is a non-GAAP ratio and is defined as net debt, as defined and reconciled to debt above, divided by the annualized funds from operations, as defined and reconciled to cash flows from operating activities above, for the most recently completed quarter. Gear uses net debt to quarterly annualized funds from operations to analyze financial and operating performance. Gear considers this a key measure for management and investors 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.

Debt Adjusted Shares
Debt adjusted shares is a non-GAAP financial measure calculated as the weighted average shares plus the share equivalent on Gear's average net debt, as defined and reconciled to debt above, 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 was 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. Gear has used the ten-day volume weighted average share 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. Gear considers debt adjusted shares a useful measure for management and investors as it enables oil and gas companies to be put on an equal, enterprise value-based footing when calculating per share numbers.

Reconciliation of weighted average basic shares to debt adjusted shares:

	Three months ended			Year ended	
(thousands, except per share amounts)	Dec 31, 2021	Dec 31, 2020	Sep 30, 2021	Dec 31, 2021	Dec 31, 2020
Weighted average basic shares	259,360	216,490	258,274	248,665	216,545
Average share price (1)	0.89	0.28	0.79	0.89	0.28
Average net debt (2)	21,845	56,704	30,639	34,347	61,308
Share equivalent on average net debt (3)	24,545	202,514	38,783	38,592	218,957
Debt adjusted shares	283,905	419,004	297,057	287,257	435,502

(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 quarters and years ended.
(3) Share equivalent on average net debt obtained by average net debt divided by average share price.

Reserves per debt adjusted shares
Reserves per debt adjusted shares is a non-GAAP ratio calculated as reserves, boe, divided by debt adjusted shares, as defined and reconciled to weighted average basic shares above. Gear considers reserves, boe, per debt adjusted shares a useful non-GAAP ratio for management and investors as it enables oil and gas companies to be put on an equal, enterprise value-based footing when calculating per share numbers to demonstrate the Company's ability to produce oil and gas.

(boe per debt adjusted share)	Dec 31, 2021	Dec 31, 2020
Proved developed producing	0.031	0.017
Total proved	0.058	0.030
Total proved plus probable	0.092	0.054

Reserves value before tax 10 per cent per debt adjusted shares
Reserves value before tax 10 per cent per debt adjusted shares is a non-GAAP ratio calculated as reserves value before tax 10 per cent, divided by debt adjusted shares, as defined and reconciled to weighted average basic shares above. Gear considers reserves value before tax 10 per cent per debt adjusted shares a useful non-GAAP ratio for management and investors as it enables oil and gas companies to be put on an equal, enterprise value-based footing when calculating per share numbers to demonstrate the Company's ability to produce oil and gas.

($ per debt adjusted share)	Dec 31, 2021	Dec 31, 2020
Proved developed producing	0.554	0.169
Total proved	0.845	0.251
Total proved plus probable	1.379	0.506

Operating Netback
Operating netbacks are non-GAAP ratios 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. Management believes that netback provides investors with information that is commonly used by other oil and gas companies. The measurement on a per boe basis assists management and investors with evaluating operating performance on a comparable basis.

Finding and Development ("F&D") Costs and Finding, Development and Acquisition ("FD&A") Costs
F&D costs and FD&A costs are non-GAAP ratios. The calculation for F&D includes all exploration, development capital for that period plus the change in FDC for that period. This total capital including the change in the FDC is then divided by the change in reserves for that period incorporating all revisions for that same period. The calculation for FD&A is calculated in the same manner except it also accounts for any acquisition costs incurred during the period. Gear considers F&D and FD&A as useful non-GAAP ratios for management and investors to measure the return of investment or capital efficiency of the Company's capital expenditures.

Recycle Ratio
Recycle ratio is a non-GAAP ratio. Recycle ratio is calculated by dividing operating netback per barrel of oil equivalent by either F&D or FD&A costs on a per barrel of oil equivalent. Management uses recycle ratio to relate the cost of adding reserves to the expected cash flows to be generated.

Net Asset Value ("NAV")
NAV is a supplementary financial measure the composition of which is set out under the heading "Efficiency Ratios" in this press release. Gear considers NAV a useful supplementary measure for management and investors as it enables oil and gas companies to measure the value of an outstanding share of the Company based on the independent reserves evaluation of the Company's reserves plus certain assumptions made by management as to the value of the other assets of the Company. For the purposes of calculating NAV as presented herein, undeveloped land has been based on internal estimates of the value of the Company's undeveloped land. Net debt is used as a component of the NAV calculation, which is a capital management measure the composition of which is explained above. For the purposes of the calculation of NAV the number of shares outstanding does not include any shares issuable on any securities of the Company that are convertible, exchangeable or exercisable into shares of the Company.

Oil and Gas Metrics
This press release contains the term reserves life index, which is an oil and gas metric that does not have a standardized meaning or standard method of calculation and therefore such measure may not be comparable to similar measures used by other companies. Reserves life index has been included herein to provide readers with an additional measure to evaluate the Company's performance; however, such measure is not a reliable indicator of the future performance of the Company and future performance may not compare to the performance in previous periods. Reserves life index is calculated by dividing the reserves in each category by the corresponding Sproule forecast of annual production.

Drilling Locations
This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from Sproule reserves report as of December 31, 2021 and account for drilling locations that have associated proved and/or probable reserves, as applicable. All drilling locations identified herein that are not proved or probable locations are considered unbooked locations. Unbooked locations are internal estimates based on Gear's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production, pricing assumptions and reserves information. There is no certainty that Gear will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which Gear actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While the majority of Gear's unbooked locations are extensions or infills of the drilling patterns already recognized by the independent evaluator, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

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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