Monthly Update

July 18, 2022
Vol. 9 Issue 6

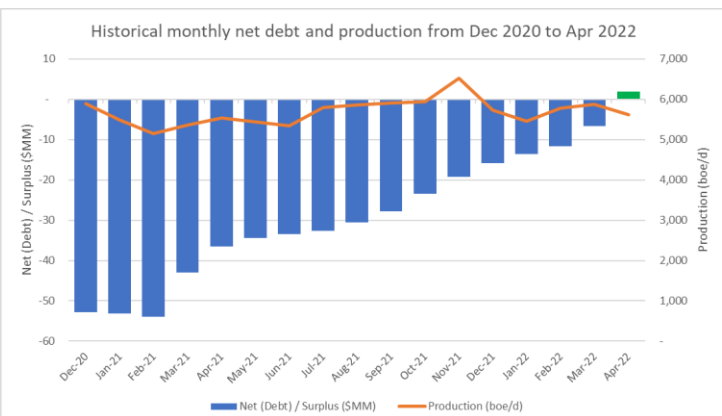
FROM THE DESK OF DAVID HWANG, VP FINANCE & CFO

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

	Q2 21	Q3 21	Q4 21	2021	Q1 22	Apr-22	May-22	Jun-22	Q2 22	2022 TD
WTI Benchmark Price ($US/bbl)	66.07	70.56	77.19	67.57	94.29	101.64	109.26	114.34	108.41	101.35
WCS Heavy Oil Differential ($US/bbl)	(11.49)	(13.58)	(14.63)	(12.45)	(14.53)	(12.58)	(12.66)	(13.16)	(12.80)	(13.67)
MSW Light Oil Differential (US$/bbl)	(3.11)	(4.08)	(3.10)	(3.88)	(2.96)	0.61	(0.89)	(1.22)	(0.50)	(1.73)
Funds from Operations ($MM)	12.2	16.0	17.9	54.4	18.8	10.1	12.1	11.6	33.8	52.6
Capital and Abandonment Expenditures ($MM)	6.0	10.3	5.9	30.5	9.6	1.4	1.8	6.0	9.2	18.8
Net Surplus (Debt) ($MM)	(33.4)	(27.9)	(15.8)	(15.8)	(6.7)	1.9	7.3	9.8	9.8	9.8
Production (boe/d)	5,440	5,859	6,059	5,676	5,701	5,613	5,827	5,889	5,777	5,739

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

In late 2020, Gear announced its 2021 budget with the following stated objective: "to stabilize production and continue to improve its strong balance sheet". In 2021, Gear further announced that it would set out an ambitious target of reducing its net debt to zero and in April 2022, Gear successfully achieved its goal of zero net debt. Getting to zero net debt was made possible by investing in capital projects efficiently and running the business prudently and did not come at the sacrifice of reduced production. It also included one forced dilutive equity issuance resulting from the $13.2MM convertible debenture conversion into common shares. Below is a chart showing Gear's monthly net debt and corresponding production during this period:



There are several merits in a zero net debt capital structure.

1. Volatile and cyclical nature of commodity markets

As all our investors know, the energy sector has been subject to countless periods of volatility and an inevitable but unpredictable history of business cycles. In 2022 alone, WTI oil prices have traded from US$74 per barrel to US$131 per barrel on an intraday basis. There currently is a sense of uneasiness on oil markets as everyone tries to figure out if we are entering a period of recession and how that may impact demand. With zero net debt, Gear is able to better weather any temporary periods of low commodity prices.

2. Structure of our credit facilities

For small Canadian oil and gas companies, the only credit facility available is a reserve-based lending facility that is subject to "redeterminations" every six months. The redetermination process allows lenders to evaluate the reserves value as collateral and, if necessary, reduce the amount of credit available. As you can imagine from point #1, if there is a temporary drop in commodity prices that happens to occur during one of these redetermination processes, a company may find itself with reduced debt capacity that exceeds the amount that it has already borrowed. This leads to significant credit risk and has resulted in countless oil and gas companies going into receivership. By reducing net debt to zero, Gear is no longer subject to this risk.

3. Full control of our business

With zero net debt, Gear is able to decide exactly how it wishes to run its company. In the past, Gear has been guided by its lenders on establishing certain hedges, capping capital investments, and restricting the return of capital to shareholders. Gear believes that it is in the best position to make decisions about how the business should be run compared to outside parties.

4. Strategic and opportunistic acquisitions

Finally, with net surpluses in hand, Gear will have significant dry powder to execute on strategic and opportunistic acquisitions that could create material meaningful value for Gear's shareholders, should they arise. Should the right opportunity present itself, Gear will find itself entering into a net debt position in the future so careful consideration will be required if such an opportunity arises.

We wish to thank our shareholders for their support during the transition period to zero net debt, and into the future.

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.