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 21	Q4 21	2021	Q1 22	Q2 22	Jul-22	Aug-22	Sep-22	Q3 22	2022 TD
WTI Benchmark Price ($US/bbl)	70.56	77.19	67.57	94.29	108.41	99.38	91.48	83.80	91.55	98.09
WCS Heavy Oil Differential ($US/bbl)	(13.58)	(14.63)	(12.45)	(14.53)	(12.80)	(18.94)	(21.03)	(19.69)	(19.89)	(15.74)
MSW Light Oil Differential (US$/bbl)	(4.08)	(3.10)	(3.88)	(2.96)	(0.50)	(2.03)	(2.54)	(1.58)	(2.05)	(1.84)
Funds from Operations ($MM)	16.0	17.9	54.4	18.8	33.8	8.5	7.2	6.8	22.5	75.1
Capital and Abandonment Expenditures ($MM)	10.3	5.9	30.5	9.6	9.2	6.4	6.1	5.2	17.7	36.5
Net Surplus (Debt) ($MM)	(27.9)	(15.8)	(15.8)	(6.7)	9.8	11.9	7.9	7.0	7.0	7.0
Production (boe/d)	5,859	6,059	5,676	5,701	5,777	5,691	5,802	5,686	5,727	5,735

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

At the beginning of October, Gear Energy press released its fourth ever dividend of $0.01 per share to be paid on October 31, 2022. That will bring the cumulative total to $0.05 per share to be distributed so far in 2022 since the inaugural one in May. See website for details. https://gearenergy.com/dividend-information/

These four distributions in isolation already represent an approximate four per cent yield on the current GXE share price. If you annualize the $0.01 per month per share, go forward the yield climbs to over nine per cent.

Since initiating this return of capital program in the spring, Gear has received multiple inbounds from investors focused primarily on our thoughts about the long term sustainability of the dividend. Most recently an investor highlighted that we only had a limited amount of reserves left on the books and that at current production rates, they were concerned about how long the reserves would last.

It is a great question, one that gets asked a lot. In fact, when Don Gray and I were marketing Gear across North America back in 2010 to solicit financing support for our first acquisition, the exact same question came up.

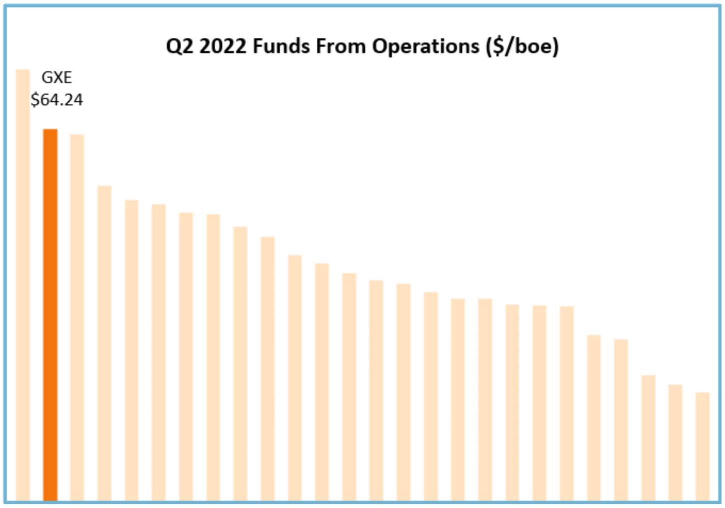
The simple answer is that investing in new opportunities to target the replacement and growth of reserves is and has always been, a key priority at Gear. Honestly, it is a key priority for pretty much the entire energy industry. We all tend to be focused on balancing the development of our existing assets with other efforts focused on seeking new discoveries, new pool expansions and new technologies to unlock or extend the productive lives of existing resources. If we had been unable to extend and expand our resources successfully, Gear, and many of our peers would have disappeared long ago.

The easiest way to try and put this into perspective is to look at Gear's historical and current Reserves Life Index ("RLI"). Gear calculates the RLI each year with the release of our annual assessment of reserves (which is prepared by an independent engineering firm). The RLI is calculated for three different reserves categories: Proved Developed Producing ("PDP"), Total Proved ("TP") and Proved plus Probable ("P+P"). Each of these categories represents a varying degree of certainty in the reserves estimates, ranging from 90 per cent for the PDP reserves to 50 per cent for the Probable reserves. When a year end reserves report is published it includes an amount of estimated recoverable reserves, and it also includes a potential production forecast associated with those reserves categories. We divide those numbers into each other to come up with the RLI. Gear's 2021 RLI numbers were calculated as follows:

	PDP	TP	P+P
Reserves (mboe)	8,931	16,651	26,325
2022 Production estimate (boe/d)	5,320	6,165	7,166
RLI (years)	4.6	7.4	10.1

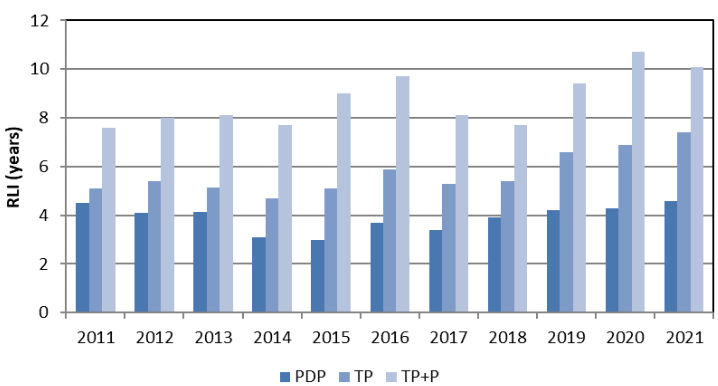
On initial blush, you can see why one might be concerned, only 4.6 to 10.1 years left of reserves, that doesn't seem like much. However, there are a couple of very key points that I think are worth making in regard to these numbers.

The first point is that it is important to also consider the "value" of these reserves as that can greatly impact a company's ability to invest in future potential reserves growth. With one of the highest Funds From Operations per boe generation in our peer group, Gear's ability to reinvest in growth is greatly enhanced. Essentially the barrels of oil equivalent that Gear has unlocked are potentially worth more than many of our peer's barrels, so we can "do more with less" when we are targeting future reinvestment in the business.



https://gearenergy.com/wp-content/uploads/2022/09/GearEnergySEP2022.pdf

The second point is that the RLI is not really a true measure of how many years of production a company has left. It is more of a relative indicator that measures the status at one point in time. Even if a company were to stop investing completely and just “produce out”, the rate of production each year would steadily decline, thus extending how long those initial reserves would truly last. Additionally, the RLI only includes reserves that can be booked by the independent engineering firm, but it does not consider many other potential key ingredients like management recognized but unbooked locations, opportunities on yet unproven lands, future acquisition prospects, or improvements in technology to name a few. Perhaps the best way to demonstrate this is with a chart of the Gear reported RLI numbers over the years.



If the RLIs in 2011 had been a true reflection of the future productive potential of Gear, then you would expect those bars to go down as each year passed and then to approach zero in approximately four to eight years. When, arguably, they have done the opposite, mostly stayed stable with a general trend upwards, especially notable on a TP and P+P basis.

Of course, past performance should not be relied upon as a predictor of future results, and there are a multitude of variables that have impacted these outcomes and will continue to do so into the future. These variables include, but are not limited to commodity prices, drilling and operational success, an ever-evolving regulatory and political environment, etc. However, Gear’s history of successfully balancing investment to target the replacement of produced reserves with new reserves through efficient capital allocation should give investors some comfort that Gear will hopefully have many more years of reserves to come.

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.