FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Cdn$ thousands, except per share, share and per boe amounts)	Three months ended			Nine months ended	
	Sep 30, 2022	Sep 30, 2021	Jun 30, 2022	**Sep 30, 2022**	Sep 30, 2021
FINANCIAL					
Funds from operations (1)	**22,544**	15,955	33,770	**75,096**	36,430
Per boe	**42.79**	29.60	64.24	**47.96**	24.06
Per weighted average basic share	**0.09**	0.06	0.13	**0.29**	0.15
Cash flows from operating activities	**26,196**	9,601	29,668	**71,204**	34,460
Per boe	**49.72**	17.81	56.43	**45.48**	22.76
Per weighted average basic share	**0.10**	0.04	0.11	**0.27**	0.14
Net income	**17,750**	6,608	23,309	**47,286**	2,381
Per weighted average basic share	**0.07**	0.03	0.09	**0.18**	0.01
Capital expenditures	**14,872**	10,256	8,091	**31,650**	23,948
Decommissioning liabilities settled- Gear	**2,859**	40	1,100	**4,871**	619
Decommissioning liabilities settled- Government (2)	**433**	904	250	**683**	2,456
Free funds from operations (1)	**4,813**	5,659	24,579	**38,575**	11,863
Net surplus (debt) (1)	**6,959**	(27,860)	9,775	**6,959**	(27,860)
Dividends declared and paid	**7,751**	-	2,610	**10,361**	-
Dividends declared and paid per share	**0.03**	-	0.01	**0.04**	-
Weighted average shares, basic (thousands)	**258,385**	258,274	260,561	**259,752**	245,061
Shares outstanding, end of period (thousands)	**259,367**	259,107	258,173	**259,367**	259,107
OPERATING					
Production					
Heavy oil (bbl/d)	**2,546**	3,325	2,686	**2,756**	3,187
Light and medium oil (bbl/d)	**1,971**	1,656	1,980	**1,845**	1,546
Natural gas liquids (bbl/d)	**320**	176	243	**278**	149
Natural gas (mcf/d)	**5,339**	4,215	5,205	**5,135**	3,985
Total (boe/d)	**5,727**	5,859	5,777	**5,735**	5,546
Average prices					
Heavy oil ($/bbl)	**89.32**	67.86	116.74	**100.62**	60.85
Light and medium oil ($/bbl)	**109.95**	80.49	133.18	**118.37**	73.07
Natural gas liquids ($/bbl)	**60.62**	47.48	72.59	**65.15**	41.82
Natural gas ($/mcf)	**4.47**	3.62	7.38	**5.51**	3.28
Netback ($/boe)					
Petroleum and natural gas sales	**85.10**	65.29	109.63	**94.53**	58.82
Royalties	**(12.14)**	(7.50)	(15.56)	**(12.39)**	(6.35)
Operating costs	**(21.16)**	(17.44)	(21.86)	**(20.95)**	(17.21)
Transportation costs	**(3.67)**	(2.04)	(3.56)	**(3.55)**	(2.04)
Operating netback (1)	**48.13**	38.31	68.65	**57.64**	33.22
Realized risk management loss	**(1.94)**	(5.13)	(0.96)	**(5.60)**	(5.08)
General and administrative	**(3.20)**	(2.70)	(2.94)	**(3.65)**	(2.58)
Interest and other	**(0.20)**	(0.88)	(0.51)	**(0.43)**	(1.50)

(1) Funds from operations, free funds from operations, net surplus (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 Gear's management's discussion and analysis.

(2) Decommissioning liabilities settled by the federal government's Site Rehabilitation Program.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") is Gear Energy Ltd. ("Gear" or the "Company") management's analysis of its financial performance. It is dated November 2, 2022 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements as at and for the nine months ended September 30, 2022 and the audited Consolidated Financial Statements as at and for the year ended December 31, 2021. Both statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The MD&A contains non-generally accepted accounting principles ("GAAP") measures and forward-looking statements and readers are cautioned that the MD&A should be read in conjunction with Gear's disclosure under "Non-GAAP Measures" and "Forward-Looking Information and Statements" included at the end of this MD&A. All figures are in Canadian dollar thousands unless otherwise noted.

ABOUT GEAR ENERGY LTD.

Gear is a Canadian exploration and production company with heavy and light oil production in Central Alberta, West Central Saskatchewan and Southeast Saskatchewan. Presently, Gear has 30 employees with 20 staff in the Calgary office and 10 employees located in Gear's operating areas in Alberta and Saskatchewan. Gear also has a number of contractors in the Calgary office, and contract operators in the field. The Company trades on the Toronto Stock Exchange under the symbol GXE and on the OTCQX under the symbol GENGF.

Gear is return-driven with a focus on delivering per share growth by pursuing assets with the following characteristics:

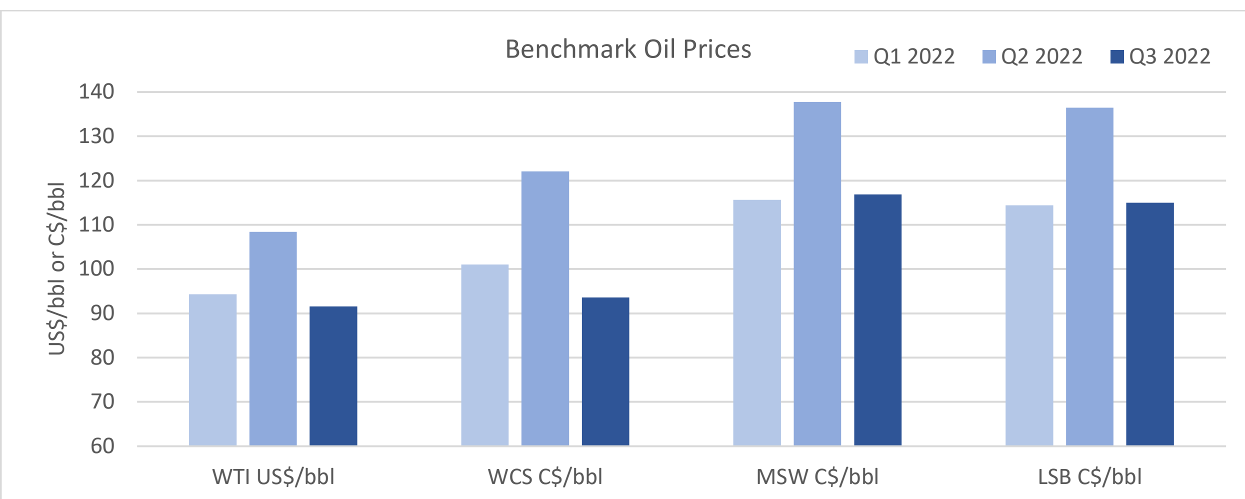
- Geographically focused
- Definable resource base with low risk production
- Repeatable projects that are statistically economic
- Multiple producing horizons
- Easy surface access and existing infrastructure
- High operatorship

Gear enhances returns of acquired assets by:

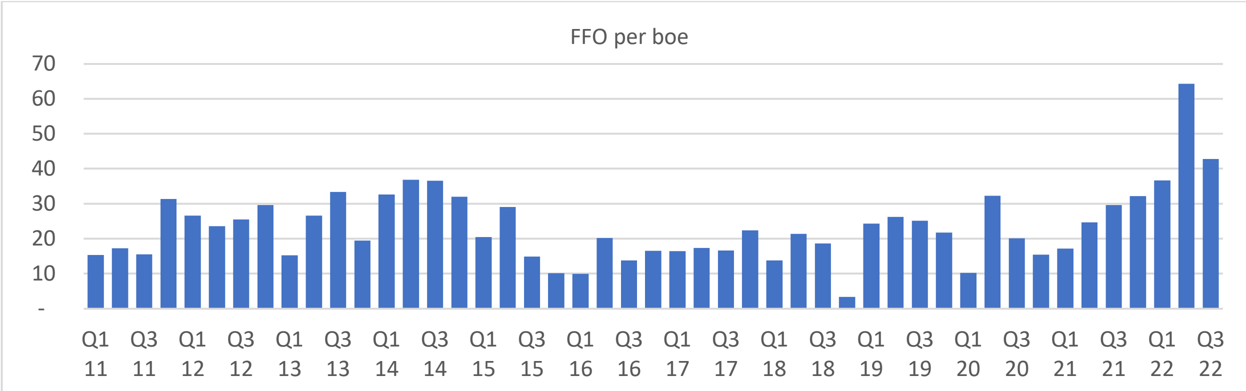
- Drilling and developing on acquired lands
- Focusing on operational and cost efficiencies
- Continually improving operations through innovation and imitation
- Adopting and refining advanced drilling and completing techniques
- Pursuing strategic acquisitions with significant potential synergies

ECONOMIC ENVIRONMENT

The third quarter of 2022 saw Gear deliver the second highest funds from operations per boe ever, despite commodity prices taking a pause from the rapid rise experienced through the first six months of the year. Prices still remain at healthy and historical highs.



Western Canadian Select ("WCS"), the primary benchmark index for Canadian heavy oil, experienced a C$28 per barrel or 23 per cent drop from the second quarter of 2022 to the third quarter of 2022. As a result, Gear's funds from operations ("FFO") per boe fell by $21.45 per boe. Despite the decrease in commodity prices, the business remains very healthy, with the third quarter generating exceptional funds from operations while maintaining a net surplus on the balance sheet.



Crude oil prices softened into the third quarter as a result of the significant release of crude oil from the US Strategic Petroleum Reserve ("SPR"), continual increases in interest rates from central banks around the world, and ongoing covid restrictions in China. However, third quarter prices were still very supportive despite the reduction from the previous quarter. With global oil demand continuing to hold and oil inventory levels continuing to fall, the outlook for future commodity prices looks favourable.

With the release of these quarterly results, Gear is also pleased to provide 2023 budget guidance. The new budget is designed to target continued shareholder returns focused on a combination of material dividends and further organic growth of five to six per cent, annualized. Additionally, using an assumed US$80 per barrel WTI price, the 2023 budget estimates delivering these shareholder returns while maintaining a strong balance sheet.

2023 BUDGET GUIDANCE

The Board of Directors has approved a 2023 capital budget of $61 million designed to target the following four key strategic goals:

1. Five to six per cent annual production growth through investment into core area drilling and waterflood opportunities;
2. Continuation of the one cent per share monthly dividend;
3. Maintenance of the strong balance sheet; and
4. Continued commitment to improving Gear's environmental footprint through abandonment and reclamation activities

The details of the 2023 capital budget are as follows:

- $39 million (64%) focused on drilling 22 gross (22 net) wells including 15 Lloydminster area heavy oil wells, five Provost and Killam, Alberta medium oil wells, one light oil well in Wilson Creek, Alberta, and one Southeast Saskatchewan Tableland light oil well

- $9 million (15%) invested in water flood expansions and optimizations including continued expansion of various heavy oil water floods, continued expansion of the Killam medium oil water flood, expansion of the Tableland light oil water flood and further expansions of the light oil water floods in Wilson Creek. Gear continues to increase capital investment into water flood expansions in various areas targeting increases in oil recovery factors and lower production decline rates

- $7 million (11%) directed to continued reduction in liabilities associated with abandonment and reclamations

- $6 million (10%) invested in land, seismic, field capital projects, recompletions and other corporate costs

- For the last two years, Gear has observed an increase in capital costs. For 2023, Gear has budgeted capital inflation to be approximately 12 per cent

The budget is forecast to deliver the following results:

Table 1

	2023 Guidance	**2022 Guidance**	Q3 2022 YTD Actuals
Annual production (boe/d)	**6,100**	**5,700 – 5,900**	5,735
Q1 2023 production (boe/d)		**6,400**	n/a
Heavy oil weighting (%)	**48**	**50**	48
Light oil, medium oil and NGLs weighting (%)	**37**	**36**	37
Royalty rate (%)	**13**	**13**	13
Operating and transportation costs ($/boe)	**23.00**	**23.50**	24.50
General and administrative expense ($/boe)	**3.50**	**3.15**	3.65
Interest and other expense ($/boe)	**0.30**	**0.40**	0.43
Capital and abandonment expenditures ($ millions)(1)	**61**	**62**(2)	37

(1) Capital and abandonment expenditures includes decommissioning liability expenditures made by Gear and excludes any expenditures made by the federal government's Site Rehabilitation Program.

(2) Guidance for 2022 capital and abandonment expenditures was reduced from $64 million to $62 million due to the deferral of two wells into 2023.

Using various WTI price forecasts for 2023 and assuming a WCS differential of US$18 per barrel, MSW and LSB differentials of US$3.50 per barrel, AECO gas price of C$4.50 per GJ, and a foreign exchange of US$0.73 per C$, Gear is forecasting 2023 funds from operations ("FFO") as follows:

WTI US$	70	80	90	100
FFO ($ millions)	69	92	115	138
Capital and abandonment expenditures ($ millions)	(61)	(61)	(61)	(61)
FFO less capital and abandonment expenditures ($ millions)	8	31	54	77

On an annualized basis, Gear forecasts its $0.01 per share per month dividend to total approximately $31 million. Assuming an annual production of 6,100 boe per day, that equates to approximately $14 per boe. As such, if WTI is at or above US$80 per barrel, the dividend is forecast to be funded with free FFO. Any future increase in commodity prices beyond these base assumptions will provide incremental free FFO which would be dedicated to potential future capital expansions, cash funded acquisitions, share buybacks and/or future dividend increases.

METRICS

Gear measures its performance on its ability to grow value on a debt adjusted per share basis. Table 2 details funds from operations, cash flows from operating activities and production per debt adjusted share:

Table 2

	Three months ended				Nine months ended		
	Sep 30, 2022	Sep 30, 2021	% Change	Jun 30, 2022	**Sep 30, 2022**	Sep 30, 2021	% Change
Funds from operations per debt adjusted share (1)	**0.090**	0.054	67	0.130	**0.285**	0.123	132
Cash flows from operating activities per debt adjusted share (1)	**0.104**	0.032	225	0.114	**0.270**	0.116	133
Production, boepd per debt adjusted thousand shares (1)	**0.023**	0.020	15	0.022	**0.022**	0.019	16

(1) Funds from operations per debt adjusted share, cash flows from operating activities per debt adjusted share and production boepd per debt adjusted thousand shares are non-GAAP and other financial measures and are reconciled to the nearest GAAP measure, where applicable, under the heading "Non-GAAP and Other Financial Measures". Such measures do not have any standardized meanings under GAAP and therefore may not be comparable to similar measures presented by other entities.

2022 THIRD QUARTER FINANCIAL AND OPERATIONAL RESULTS

Funds from Operations and Cash Flows from Operating Activities

Funds from operations increased from $16.0 million or $29.60 per boe in the third quarter of 2021 to $22.5 million or $42.79 per boe in the third quarter of 2022. The increase in funds from operations is the result of increased revenues due to higher realized commodity prices, decreased loss on risk management contracts and decreased interest and other costs, offset by decreased sales volumes and increased royalties, operating, transportation and general and administrative costs.

On a year-to-date basis, funds from operations increased from $36.4 million or $24.06 per boe in 2021 to $75.1 million or $47.96 per boe in 2022. The increase in funds from operations is the result of increased revenues due to higher realized commodity prices and increased sales volumes and decreased interest and other costs, offset by increased loss on risk management contracts, royalties, operating, transportation and general and administrative costs.

The following table details the change in funds from operations for 2022 relative to 2021:

Table 3

	Three months ended Sep 30		Nine months ended Sep 30	
	$ thousands	$/boe	$ thousands	$/boe
Q3 2021 Funds from operations (1)	15,955	29.60	36,430	24.06
Volume variance	(786)	-	3,026	-
Price variance	10,437	19.81	55,907	35.71
Risk management contracts	1,742	3.19	(1,068)	(0.52)
Royalties	(2,357)	(4.64)	(9,781)	(6.04)
Expenses:				
Operating and transportation	(2,582)	(5.35)	(9,222)	(5.25)
General and administrative	(232)	(0.50)	(1,798)	(1.07)
Interest and other	367	0.68	1,602	1.07
Q3 2022 Funds from operations (1)	22,544	42.79	75,096	47.96

(1) Funds from operations is a non-GAAP financial measure and is reconciled to the nearest GAAP measure under the heading "Non-GAAP and Other Financial Measures". Such measure does not have a standardized meaning under GAAP and therefore may not be comparable to similar measures presented by other entities.

Cash flows from operating activities increased from $9.6 million or $17.81 per boe in the third quarter of 2021 to $26.2 million or $49.72 per boe in the third quarter of 2022. The increase in cash flows from operating activities is the result of increased revenues due to higher realized commodity prices, decreased loss on risk management contracts and decreased interest and other costs, offset by decreased sales volumes, increased royalties, operating, transportation and general and administrative costs and increased decommissioning liabilities settled by Gear. In the third quarter of 2021, most of the abandonment activities performed were funded under the federal government's Site Rehabilitation Program and therefore did not affect cash flows from operating activities. In the third quarter of 2022, only a small portion of the abandonment activities performed were funded by the government.

On a year-to-date basis, cash flows from operating activities increased from $34.5 million or $22.76 per boe to $71.2 million or $45.48 per boe. The increase in cash flows from operating activities is the result of increased revenues due to higher realized commodity prices and increased sales volumes and decreased interest and other costs, offset by increased loss on risk management contracts, royalties, operating, transportation and general and administrative costs and increased decommissioning liabilities settled by Gear. For the nine months ended September 30, 2021, most of the abandonment activities performed were funded under the federal government's Site Rehabilitation Program and therefore such spending did not affect cash flows from operating activities. For the nine months ended September 30, 2022, only a small portion of the abandonment activities performed were funded by the government.

Net Income

Gear generated net income of $17.8 million and $47.3 million for the three and nine months ended September 30, 2022, compared to net income of $6.6 million and $2.4 million for same periods in 2021. The change in net income is due to several factors discussed below. Net income decreased from $23.3 million for the second quarter of 2022 to $17.8 million for the third quarter due to the decrease in realized pricing, partially offset by an unrealized gain on risk management contracts during the third quarter.

Production

For the three and nine months ended September 30, 2022, sales production volumes averaged 5,727 and 5,735 boe per day compared to 5,859 and 5,546 boe per day in the same periods in 2021. Production in the quarter was relatively stable compared to the previous quarter as natural declines were offset by the production from new wells drilled. In 2021, Gear tied into a third party gas conservation system. As a result, Gear was able to conserve previously flared gas in Tableland, Saskatchewan and sell natural gas and natural gas liquids which contributed 152 boe per day in the nine months period ended September 30, 2022 with no volume contribution for the same period of 2021. Gear's revenue associated with this incremental production will be offset by a transportation fee up until 2026, or when the total commitment is extinguished.

Sales production volumes in the third quarter of 2022 averaged 5,727 boe per day, consistent with 5,777 boe per day in the second quarter of 2022. During the third quarter, production associated with the new wells drilled was offset by the impact of egress issues with third party gas infrastructures. These egress issues reduced production by 120 boe per day and have been partially resolved subsequent to period end.

Gear's oil inventory remained unchanged from the second to the third quarter of 2022. As at September 30, 2022, Gear had approximately 140 thousand barrels of oil in inventory.

Table 4

Production	Sep 30, 2022	Three months ended Sep 30, 2021	% Change	Jun 30, 2022	Sep 30, 2022	Nine months ended Sep 30, 2021	% Change
Liquids (bbl/d)							
Heavy oil (bbl/d)	**2,546**	3,325	(23)	2,686	**2,756**	3,187	(14)
Light and medium oil (bbl/d)	**1,971**	1,656	19	1,980	**1,845**	1,546	19
Natural gas liquids (bbl/d)	**320**	176	82	243	**278**	149	87
Total liquids (bbl/d)	**4,837**	5,157	(6)	4,909	**4,879**	4,882	-
Natural gas (mcf/d)	**5,339**	4,215	27	5,205	**5,135**	3,985	29
Total production (boe/d) (1)	**5,727**	5,859	(2)	5,777	**5,735**	5,546	3
% Liquids production	**84**	88	(5)	85	**85**	88	(3)
% Natural gas production	**16**	12	33	15	**15**	12	25

(1) Reported production for a period may include minor adjustments from previous production periods.

Petroleum and Natural Gas Sales

For the three and nine months ended September 30, 2022, sales of crude oil, natural gas and natural gas liquids totaled $44.8 million and $148.0 million, a 27 and 66 per cent increase over $35.2 million and $89.1 million for the same periods in 2021, respectively. These increases are the result of higher realized commodity prices. Quarter over quarter, sales decreased from $57.6 million in the second quarter of 2022 to $44.8 million as a result of a decrease in realized commodity prices.

A breakdown of sales by product is outlined in Table 5:

Table 5

Sales by product ($ thousands)	Sep 30, 2022	Three months ended Sep 30, 2021	% Change	Jun 30, 2022	Sep 30, 2022	Nine months ended Sep 30, 2021	% Change
Heavy oil	**20,922**	20,759	1	28,534	**75,721**	52,948	43
Light and medium oil	**19,938**	12,259	63	23,999	**59,621**	30,850	93
Natural gas liquids	**1,785**	767	133	1,606	**4,939**	1,696	191
Natural gas	**2,195**	1,404	56	3,496	**7,718**	3,572	116
Total petroleum and natural gas sales	**44,840**	35,189	27	57,635	**147,999**	89,066	66

Commodity Prices

Table 6

Average benchmark prices	Sep 30, 2022	Three months ended Sep 30, 2021	% Change	Jun 30, 2022	Sep 30, 2022	Nine months ended Sep 30, 2021	% Change
WTI oil (US$/bbl) (1)	**91.55**	70.56	30	108.41	**98.09**	64.82	51
WCS heavy oil (Cdn$/bbl) (2)	**93.59**	71.81	30	122.04	**105.62**	65.45	61
Canadian Light Sweet (3) (Cdn$/bbl)	**116.88**	83.78	40	137.74	**123.45**	75.92	63
LSB (Cdn$/bbl) (4)	**114.95**	83.60	38	136.47	**121.97**	75.85	61
AECO natural gas ($/mcf) (5)	**4.02**	3.62	11	7.19	**5.32**	3.29	62
Cdn$ / US$ exchange rate	**1.31**	1.26	4	1.28	**1.28**	1.25	2
Gear realized prices							
Heavy oil ($/bbl)	**89.32**	67.86	32	116.74	**100.62**	60.85	65
Light and medium oil ($/bbl)	**109.95**	80.49	37	133.18	**118.37**	73.07	62
Natural gas liquids ($/bbl)	**60.62**	47.48	28	72.59	**65.15**	41.82	56
Natural gas ($/mcf)	**4.47**	3.62	23	7.38	**5.51**	3.28	68
Realized price before risk management contracts ($/boe)	**85.10**	65.29	30	109.63	**94.53**	58.82	61
Realized risk management loss ($/boe)	**(1.94)**	(5.13)	(62)	(0.96)	**(5.60)**	(5.08)	10
Realized price after risk management contracts ($/boe)	**83.16**	60.16	38	108.67	**88.93**	53.74	65

(1) WTI represents the posting price of West Texas Intermediate oil.
(2) WCS represents the average market price for the benchmark Western Canadian Select for Gear's heavy oil.
(3) Represents the Canadian Light Sweet oil index for Gear's Alberta light oil.
(4) LSB represents the Light Sour Blend oil index for Gear's Southeast Saskatchewan light oil.
(5) Represents the AECO 5a monthly index.

For the third quarter of 2022, US$ denominated WTI prices increased by 30 per cent from US$70.56 per barrel to US$91.55 per barrel over the same period in 2021, with the WCS differential widening and the Canadian Light Sweet and

LSB differentials narrowing. As a result of these pricing movements, Gear's realized pricing increased from $65.29 per boe to $85.10 per boe.

On a year-to-date basis WTI increased from US$64.82 per barrel to US$98.09 per barrel over the same period in 2021, with the WCS differential widening and the Canadian Light Sweet and LSB differentials narrowing. These pricing movements resulted in an increase in Gear's realized pricing from $58.82 per boe to $94.53 per boe.

When comparing to the previous quarter, Gear's realized pricing decreased from $109.63 per boe to $85.10 per boe as a result of weaker WTI prices and widening differentials.

Royalties

For the three and nine months ended September 30, 2022, royalties as a percentage of petroleum and natural gas sales were 14.3 and 13.1 per cent compared to 11.5 and 10.8 per cent for the same periods in 2021. Over the last year, royalties as a percentage of commodity sales have increased due to the increase in commodity prices. A certain number of Gear's wells are subject to escalating royalty rates in higher price environments. In addition, as revenues incline, a greater portion of pre-existing wells reach higher royalty tiers quicker.

Royalties as a percentage of commodity sales was 14.2 per cent for the second quarter of 2022 compared to 14.3 per cent for the third quarter of 2022. Despite the decrease in commodity prices, royalties as a percentage of commodity sales were offset due to an increase in the number of wells reaching higher royalty tiers during the third quarter.

Table 7 below summarizes royalty expenses:

Table 7

Royalty expense	Three months ended				Nine months ended		
($ thousands except % and per boe)	**Sep 30, 2022**	Sep 30, 2021	% Change	Jun 30, 2022	**Sep 30, 2022**	Sep 30, 2021	% Change
Royalty expense	**6,398**	4,041	58	8,182	**19,395**	9,614	102
Royalty expense as a % of sales	**14.3**	11.5	24	14.2	**13.1**	10.8	21
Royalty expense per boe	**12.14**	7.50	62	15.56	**12.39**	6.35	95

Operating and Transportation Expenses

Operating costs for the three and nine months ended September 30, 2022 were $21.16 and $20.95 per boe compared to $17.44 and $17.21 per boe for the same periods in 2021. These increases are a result of Gear re-activating previously shut-in higher operating expense wells to take advantage of positive netbacks. In addition, Gear incurred higher well servicing costs and carbon taxes and has also observed general inflationary pressures in 2022 relative to 2021. Operating costs decreased from $21.86 per boe for the previous quarter to $21.16 per boe for the third quarter of 2022. The decrease was due to lower well servicing costs in the third quarter.

Transportation expenses for the three and nine months ended September 30, 2022 were $3.67 and $3.55 per boe compared to $2.04 per boe for the three and nine months ended September 30, 2021 and $3.56 per boe for the previous quarter. The increase is mainly a result of production associated with the gas gathering system constructed in 2021 in southeast Saskatchewan. In 2021, Gear tied production into a newly constructed third-party gas gathering system and Gear's revenue associated with this incremental production will be offset by a transportation fee up until 2026, or when the total commitment is extinguished.

During the three and nine months ended September 30, 2022, the gas gathering system produced 171 and 152 boe per day of natural gas and natural gas liquids, offset by $0.8 million or $1.52 per boe and $2.1 million or $1.32 per boe, respectively, of transportation fees associated with this system. During the previous period, the gas gathering system produced 132 boe per day of natural gas and natural gas liquids, offset by $0.9 million or $1.63 per boe of transportation fees associated with this system. For further information see below, under the heading "Contractual Obligations and Commitments".

Excluding the impact of the gas gathering system, transportation expense for the three and nine months ended September 30, 2022 was $2.15 per boe and $2.23 per boe compared to $2.04 per boe for the same periods in 2021 and $1.93 per boe for the previous quarter. Overall, there has been an increase in transportation expenses mainly due to inflationary pressures in the form of fuel surcharges from trucking companies.

Table 8 below summarizes the operating and transportation expenses:

Table 8

Operating and transportation expenses		Three months ended				Nine months ended	
($ thousands except per boe)	**Sep 30, 2022**	Sep 30, 2021	% Change	Jun 30, 2022	**Sep 30, 2022**	Sep 30, 2021	% Change
Operating expense	**11,147**	9,400	19	11,490	**32,796**	26,053	26
Transportation expense	**1,933**	1,098	76	1,869	**5,564**	3,085	80
Operating and transportation expense	**13,080**	10,498	25	13,359	**38,360**	29,138	32
Operating expense per boe	**21.16**	17.44	21	21.86	**20.95**	17.21	22
Transportation expense per boe	**3.67**	2.04	80	3.56	**3.55**	2.04	74
Operating and transportation expense per boe	**24.83**	19.48	27	25.42	**24.50**	19.25	27

Table 9 below is a breakdown of transportation expenses:

Table 9

Transportation expenses		Three months ended				Nine months ended	
($ thousands except per boe)	**Sep 30, 2022**	Sep 30, 2021	% Change	Jun 30, 2022	**Sep 30, 2022**	Sep 30, 2021	% Change
Transportation - commitment	**798**	-	100	858	**2,066**	-	100
Transportation	**1,135**	1,098	3	1,011	**3,498**	3,085	13
Transportation expense	**1,933**	1,098	76	1,869	**5,564**	3,085	80
Transportation per boe - commitment	**1.52**	-	100	1.63	**1.32**	-	100
Transportation per boe	**2.15**	2.04	5	1.93	**2.23**	2.04	9
Transportation expense per boe	**3.67**	2.04	80	3.56	**3.55**	2.04	74

Operating Netbacks

Gear's operating netback prior to risk management contracts for the three and nine months ended September 30, 2022 was $48.13 and $57.64 per boe compared to $38.31 and $33.22 per boe for the same periods in 2021. The increase is primarily the result of increased commodity prices, partially offset by higher royalties, operating and transportation costs.

Gear's operating netback prior to risk management contracts decreased from $68.65 per boe for the previous period to $48.13 per boe for the third quarter of 2022 mainly due to a decrease in commodity prices. In the previous quarter, Gear achieved its highest netback since inception as a result of increased commodity prices during the second quarter.

The components of operating netbacks are summarized in Table 10:

Table 10

Operating netback		Three months ended				Nine months ended	
($ per boe)	**Sep 30, 2022**	Sep 30, 2021	% Change	Jun 30, 2022	**Sep 30, 2022**	Sep 30, 2021	% Change
Sales	**85.10**	65.29	30	109.63	**94.53**	58.82	61
Royalties	**(12.14)**	(7.50)	62	(15.56)	**(12.39)**	(6.35)	95
Operating costs	**(21.16)**	(17.44)	21	(21.86)	**(20.95)**	(17.21)	22
Transportation costs	**(3.67)**	(2.04)	80	(3.56)	**(3.55)**	(2.04)	74
Operating Netback	**48.13**	38.31	26	68.65	**57.64**	33.22	74

General and Administrative ("G&A") Expenses and Share-Based Compensation ("SBC")

For the three and nine months ended September 30, 2022, G&A expenses totaled $1.7 million and $5.7 million, compared to $1.5 million and $3.9 million for the same periods in 2021. The increase in G&A expenses in the third quarter of 2022 compared to the same period in 2021 was mainly due to compensation changes associated with a one-time minor restructuring and minor compensation changes for all employees. Year-to-date, the majority of the increase relates to 2021 performance bonuses declared and paid in the first quarter of 2022 as well as third quarter compensation changes. For the three and nine months ended September 30, 2022, Gear capitalized $0.3 million and $1.4 million of G&A compared to $0.3 million and $0.9 million for the same periods in 2021. The increase in capitalized G&A year over year is a result of the performance bonus declared during the nine months ended September 30, 2022 as well as increased drilling activities during the period. For the three and nine months ended September 30, 2022, G&A on a per boe basis was $3.20 and $3.65 per boe compared to $2.70 and $2.58 per boe for the same periods in 2021.

The increase in G&A expenses in the third quarter of 2022 compared to the previous quarter was due to compensation changes during the third quarter associated with a one-time minor restructuring, partially offset by a decrease in professional fees. Gear capitalized $0.3 million in G&A for third quarter of 2022, consistent with the second quarter of 2022. G&A on a per boe basis was $3.20 per boe during the third quarter of 2022 compared to $2.94 per boe for the previous quarter.

Table 11 is a breakdown of G&A and SBC expense:

Table 11

G&A and SBC expense		Three months ended				Nine months ended	
($ thousands except per boe)	**Sep 30, 2022**	Sep 30, 2021	% Change	Jun 30, 2022	**Sep 30, 2022**	Sep 30, 2021	% Change
G&A, before recoveries and capitalized G&A	**2,089**	1,839	14	1,934	**7,414**	5,015	48
Overhead recoveries	**(96)**	(69)	39	(82)	**(257)**	(208)	24
Capitalized G&A	**(305)**	(314)	(3)	(309)	**(1,449)**	(897)	62
G&A	**1,688**	1,456	16	1,543	**5,708**	3,910	46
SBC expense	**324**	137	136	207	**735**	331	122
G&A per boe	**3.20**	2.70	19	2.94	**3.65**	2.58	41
SBC expense per boe	**0.61**	0.25	144	0.39	**0.47**	0.22	114

SBC is related to the granting of stock options. There were 4.3 million options granted during the nine months ended September 30, 2022 at an average exercise price of $1.41 per share. In addition, 1.3 million options were forfeited at an average exercise price of $0.78 per share and 4.3 million options were exercised at an average exercise price of $0.46 per share. As at September 30, 2022 a total of 15.3 million options with a weighted average exercise price of $0.82 per share were outstanding, representing approximately 5.9 per cent of the 259.4 million total common shares outstanding. Each option entitles the holder to acquire one Gear common share. As at December 31, 2021 a total of 16.8 million options were outstanding. For further information on Gear's stock options, see the notes to the unaudited Interim Condensed Consolidated Financial Statements. At the date of this MD&A, Gear had a total of 14.4 million options outstanding at a weighted average exercise price of $0.83 per share. Subsequent to September 30, 2022, 0.5 million options were forfeited and 0.4 million options were exercised.

Interest and Other

For the three and nine months ended September 30, 2022, interest and other totaled $0.1 million and $0.7 million compared to $0.5 million and $2.3 million in the same periods of 2021 and $0.3 million in the previous quarter. Gear's interest rate on its Credit Facilities is dependent on its facilities borrowings, inclusive of working capital, in comparison to its earnings before interest, taxes, depletion, depreciation, amortization, and accretion ("Senior Debt to EBITDA Ratio") on a rolling six month period. The reduction in interest and financing charges is due to a reduction in Gear's debt balance during the three and nine months periods ended September 30, 2022. As at September 30, 2022, Gear was in a cash position with zero bank debt. Looking forward, Gear anticipates interest and financing charges to mainly be a combination of standby and Credit Facilities fees while in a cash position.

Table 12 is a breakdown of interest and other:

Table 12

Interest and other		Three months ended				Nine months ended	
($ thousands except per boe)	**Sep 30, 2022**	Sep 30, 2021	% Change	Jun 30, 2022	**Sep 30, 2022**	Sep 30, 2021	% Change
Interest expense	**124**	483	(74)	210	**569**	1,878	(70)
Financing charges	**36**	34	6	47	**117**	197	(41)
Standby fees	**80**	30	167	53	**171**	102	68
Realized (gain) loss on foreign exchange	**(131)**	(71)	85	(35)	**(184)**	98	(288)
Interest and other	**109**	476	(77)	275	**673**	2,275	(70)
Interest and other per boe	**0.20**	0.88	(77)	0.51	**0.43**	1.50	(71)

Risk Management Contracts

Gear has a mandate to protect its balance sheet and capital program for the current and upcoming year by reducing fluctuations in both its funds from operations and assigned borrowing base on its Credit Facilities. To do this, Gear uses or plans to use a variety of derivative instruments to reduce its exposure to fluctuations in commodity prices, foreign exchange rates and interest rates. Gear has not designated its risk management contracts as effective hedges, and thus has not applied hedge accounting. Historically, Gear endeavored to protect the pricing on a minimum of 50 per cent and up to 65 per cent of forecasted production, net of royalties, and had been authorized by its board of directors to hedge up to certain levels as specified by its credit agreement. Gear has fully completed all 2022 hedging requirements and continues to monitor markets for future periods. During the nine months ended September 30, 2022 Gear achieved a zero net debt capital structure. Management continues to evaluate its risk and the management thereof and will continue to monitor the commodities market for further future risk management contracts. Such an evaluation may result in changes to risk management activity in the future.

For the three and nine months ended September 30, 2022, Gear realized losses on risk management contracts of $1.0 million and $8.8 million compared to realized losses of $2.8 million and $7.7 million for the same periods in 2021 and $0.5 million in the previous quarter. The fair value of all outstanding contracts at September 30, 2022 was a liability of $0.3 million.

For the fourth quarter of 2022, Gear has decreased its hedged volumes by half from previous quarters as a result of Gear's lenders relaxing hedging requirements.

Table 13 summarizes Gear's financial risk management contracts as at September 30, 2022:

Table 13
Financial WTI crude oil contracts

Term		Contract	Currency	Volume bbl/d	Sold Swap $/bbl	Sold Call $/bbl	Bought Put $/bbl	Sold Put $/bbl
Oct 1, 2022	Dec 31, 2022	Three-way collar	CAD	1,200	-	120.00	65.00	50.00

Impairment and Depletion, Depreciation and Amortization Expense ("DD&A")
DD&A during the three and nine months ended September 30, 2022, was $17.08 and $17.70 per boe compared to $16.64 and $16.96 per boe in the same periods in 2021. These increases in the DD&A rate were mainly the result of the impact of the impairment reversal at December 31, 2021 which increased Gear's depletable base. Depletion is recorded net of government spending. For the three and nine months ended September 30, 2022, the government provided Gear $0.4 million and $0.7 million towards extinguishing decommissioning liabilities, as compared to $0.9 million and $2.5 million for the same periods in 2021. Quarter over quarter, DD&A decreased from $17.20 per boe in the previous quarter to $17.08 per boe as a result of increased Government spending.

As at December 31, 2021, indicators of an impairment reversal were identified as a result of the increase in commodity prices and Gear's market capitalization. An impairment test was carried out at December 31, 2021 on each of Gear's cash-generating units ("CGUs"). The estimated recoverable amounts incorporated the net present value of the after-tax cash flows from proved plus probable oil and gas reserves of each CGU based on reserves estimated by Gear's independent reserves evaluator at December 31, 2021. As at December 31, 2021, the estimated recoverable amounts were based on fair value less cost of disposal calculations using discount rates based on an estimated industry weighted average cost of capital ranging from 12 to 14 per cent, depending on the product composition of the assets in the CGU.

As a result of the impairment test performed at December 31, 2021, the recoverable amounts of the three CGUs exceeded their carrying values, and a $33.7 million impairment reversal, net of depletion was recorded in the Consolidated Statements of Income and Comprehensive Income. For additional information see Note 3 "Property, Plant and Equipment and Impairment" in the notes to the Interim Condensed Consolidated Financial Statements. As future commodity prices remain volatile, impairment charges or recoveries could be recorded in future periods.

As at September 30, 2022 and December 31, 2021, Gear recorded oil inventory valued at its production cost. No impairments on inventory were recorded in 2021 or in the first nine months of 2022.

Table 14 is a breakdown of DD&A expenses:

Table 14

DD&A rate	Three Months Ended				Nine Months Ended		
($ thousands except per boe)	**Sep 30, 2022**	Sep 30, 2021	% Change	Jun 30, 2022	**Sep 30, 2022**	Sep 30, 2021	% Change
DD&A	**8,997**	8,967	-	9,042	**27,707**	25,678	8
Total DD&A rate per boe	**17.08**	16.64	3	17.20	**17.70**	16.96	4

Taxes
Deferred income tax assets on the Consolidated Balance Sheet are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable based on current tax pools and estimated future taxable income. As at September 30, 2022 and December 31, 2021, a deferred tax asset in the amount of $32.9 million was recognized, with a significant portion remaining unrecognized, as Management did not find it probable that the benefit will be realized. Included in this tax basis are estimated non-capital loss carry forwards that expire in the years 2027 through 2042. No cash income taxes were paid in 2022 and 2021.

At September 30, 2022, Gear's estimated tax pools were consistent with the pools at June 30, 2022 of $623.8 million. Tax pools at December 31, 2021 were $667.5 million.

Capital Expenditures
Capital expenditures for the three and nine months ended September 30, 2022 were $14.9 million and $31.7 million compared to $10.3 million and $23.9 million for the same periods in 2021 and $8.1 million in the previous quarter. During the third quarter of 2022 Gear drilled seven gross (seven net) wells. Of these wells, three were exploratory heavy oil wells in Swimming, Alberta, Maidstone, Saskatchewan and Celtic, Saskatchewan. The remaining wells drilled in the quarter included two heavy oil wells in Lindbergh, Alberta and two heavy oil wells in Wildmere, Alberta. Prior to quarter-end, Gear also started to drill one additional heavy oil well in Wildmere, Alberta, which was rig-released in October. Year to date,

Gear drilled 16 gross (16 net) wells including six multi-leg medium oil wells in Provost, one water source well for expanded waterflooding in Killam, Alberta, one light oil well in Tableland, Saskatchewan and one multi-lateral unlined heavy oil well in Wildmere, Alberta, in addition to the wells drilled in the third quarter.

Capital expenditures through the fourth quarter are currently estimated to increase significantly over the third quarter. Drilling plans through the last quarter of the year include an estimated eight new wells, including, two multi lateral heavy oil wells in Wildmere, Alberta, four horizontal multi stage fractured wells into the medium oil waterflood in Killam, Alberta, and two light oil multistage fractured wells in Tableland, Saskatchewan. In addition, funds are forecast to be invested in a waterflood expansion in Maidstone, Saskatchewan and in the initiation of waterfloods in Provost, Alberta and Tableland, Saskatchewan. Pending timing and availability of services as we approach year end, some of these planned capital activities may carry over into the first quarter of 2023.

A breakdown of capital expenditures is shown in Table 15:

Table 15

Capital expenditures	Three months ended				Nine months ended		
($ thousands)	**Sep 30, 2022**	Sep 30, 2021	% Change	Jun 30, 2022	**Sep 30, 2022**	Sep 30, 2021	% Change
Drilling and completions	**11,535**	7,082	63	5,968	**24,131**	17,037	42
Production equipment and facilities	**3,292**	3,062	8	1,564	**6,738**	6,604	2
Geological and geophysical	**(7)**	20	(135)	69	**87**	66	32
Undeveloped land	**28**	56	(50)	405	**546**	199	174
Other	**24**	36	(33)	85	**148**	42	252
Total capital expenditures	**14,872**	10,256	45	8,091	**31,650**	23,948	32

Decommissioning Liability

At September 30, 2022, Gear recorded a decommissioning liability of $71.7 million ($79.1 million at December 31, 2021) for the future abandonment and reclamation of Gear's properties. The estimated decommissioning liability includes assumptions in respect of actual costs to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors used to calculate the undiscounted total future liability. The liability has been inflated at 2.00 per cent (1.76 per cent at December 31, 2021) and discounted using a risk free rate of 3.09 per cent (1.76 per cent at December 31, 2021). Some of the abandonment cost estimates are derived from third party government sources and can fluctuate from time to time. The decrease in liability is mainly the result of the increase in the discount factor and abandonment activity performed by both Gear and third-party government bodies during the period, partially offset by an increase in cost estimates and new wells drilled by Gear. Decommissioning liabilities settled by Gear during the nine months ended September 30, 2022 were $4.9 million.

In 2020, the federal government announced that as part of its COVID-19 Economic Response Plan that it would provide $1.7 billion to clean up orphan and inactive wells in Alberta, Saskatchewan and British Columbia under a Site Rehabilitation Program ("SRP"). In 2021, Gear was approved for an additional $3.0 million bringing the total cumulative funding to date to $5.2 million. A portion of the funding in Alberta comes as a 50 per cent cost reimbursement for Gear's area-based closure in the Wildmere area. During the third quarter of 2022, as a result of combined efforts of both Gear and the SRP, the combined $3.3 million of decommissioning expenditures allowed Gear to cut and cap 77 gross wells and downhole abandon 35 gross wells in Alberta and cut and cap two gross wells and downhole abandon 20 gross wells in Saskatchewan.

During the nine months ended September 30, 2022, as a result of combined efforts of both Gear and the SRP, the combined $5.6 million of decommissioning expenditures allowed Gear to cut and cap 123 gross wells and downhole abandon 124 gross wells in Alberta and cut and cap four gross wells and downhole abandon 21 gross wells in Saskatchewan.

Gear's SRP spending per Provincial jurisdiction during the nine months period ending September 30, 2022 included $0.4 million in Alberta and $0.3 million in Saskatchewan. As at September 30, 2022, the remaining $1.1 million SRP balance mainly consists of $0.5 million in Alberta and $0.6 million in Saskatchewan.

Capitalization, Financial Resources and Liquidity
A breakdown of Gear's capital structure is outlined in Table 16:

Table 16

Debt ($ thousands except ratio amounts)	**Sep 30, 2022**	Dec 31, 2021
Net surplus (debt) (1)	**6,959**	(15,830)
Net debt to trailing twelve-month funds from operations (1)	**n/a**	0.3
Net debt to quarterly annualized funds from operations (1)	**n/a**	0.2
Common shares outstanding	**259,367**	260,169

(1) Net surplus (debt), net debt to trailing twelve-month funds from operations and net debt to quarterly annualized funds from operations are non-GAAP and other financial measures and are reconciled to the nearest GAAP measure, where applicable, under the heading "Non-GAAP and Other Financial Measures". Such measures do not have any standardized meanings under GAAP and therefore may not be comparable to similar measures presented by other entities.

Gear achieved zero net debt during the second quarter and continues to be in a net surplus position. When the Company is in a net surplus position, the Company's net debt to trailing twelve-month funds from operations and net debt to annualized funds from operations is not applicable as the Company is not required to pay off or take on new debt. Net surplus was achieved primarily through bank debt repayments as funds from operations continued to exceed capital expenditures, dividends and spending on equity repurchases pursuant to its Normal Course Issuer Bid ("NCIB") during the nine months period ended September 30, 2022.

Credit Facilities
In April 2022, Gear completed its borrowing base review and amended its Credit Facilities. Gear presently has credit facilities consisting of a $34.5 million revolving credit facility and a $7.5 million operating facility (the "Credit Facilities").

Table 17 shows a breakdown of Gear's Credit Facilities:

Table 17

Facility	**Borrowing base**		**Maturity date**
($ millions)	**Sep 30, 2022**	**Dec 31, 2021**	
Revolving	34.5	34.5	May 25, 2024
Operating	7.5	7.5	May 25, 2024
Total	42.0	42.0	

As at September 30, 2022, Gear was in a cash position with zero bank debt. At September 30, 2022 Gear had $nil drawn on the Credit Facilities (December 31, 2021 – $26.4 million) and outstanding letters of credit of $0.9 million (December 31, 2021 – $0.9 million). The Credit Facilities do not carry any financial covenants.

The total stamping fees on the operating facility and revolving facility depend on Gear's Senior Debt to EBITDA ratio, and range between 200 bps to 400 bps on Canadian bank prime borrowings and between 300 bps and 500 bps on US dollar denominated LIBOR loans and Canadian dollar bankers' acceptances. The undrawn portion of the Credit Facilities is subject to a standby fee in the range of 75 bps to 125 bps.

Gear's Credit Facilities are periodically reviewed by its lenders through scheduled borrowing base reviews at which time the borrowing base of such facilities can be adjusted. Subsequent to period end, Gear completed its fall semi-annual redetermination with no changes to its Credit Facilities. The next borrowing base review is expected to be complete on or about May 31, 2023.

Convertible Debentures
As at September 30, 2022 and December 31, 2021, no Convertible Debentures were outstanding. During the year ended December 31, 2021, $13.2 million of the Convertible Debentures were converted into 41.2 million common shares.

Shareholders' Equity
On May 4, 2022, Gear announced the approval of its NCIB by the Toronto Stock Exchange ("TSX"). The NCIB allows the Company to purchase for cancellation up to approximately 24.0 million of its outstanding common shares commencing on May 9, 2022, continuing until May 8, 2023, when the bid expires, or such earlier date on which Gear has either acquired the maximum number of common shares allowable under the NCIB or otherwise decides not to make any further repurchases under the NCIB. Purchases are made on the open market through the TSX or alternative Canadian trading platforms at the prevailing market price of such common shares at the time of purchase. When the Company repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. When the carrying value exceeds the purchase price the excess is credited to contributed surplus or conversely the excess of the purchase price over the carrying value is recognized as a deduction from retained earnings. The Company did not repurchase common shares during the three months period ended September 30, 2022. For the nine months period ended September 30, 2022, 3.6 million common shares were repurchased at an average cost of $1.45 per share.

As at September 30, 2022, Gear had 259.4 million common shares outstanding. The decrease since December 31, 2021, was due to share repurchases, partially offset by stock option exercises. At December 31, 2021, Gear had 260.2 million common shares outstanding. As at the date of this MD&A, Gear had 259.7 million common shares outstanding.

Table 18 shows Gear's trading statistics:

Table 18

Trading statistics	Three months ended			Nine months ended	
($ based on intra-day trading)	**Sep 30, 2022**	Sep 30, 2021	Jun 30, 2022	**Sep 30, 2022**	Sep 30, 2021
High	**1.40**	0.89	1.73	**1.94**	1.01
Low	**0.98**	0.53	1.15	**0.90**	0.25
Close	**1.14**	0.83	1.24	**1.14**	0.83
Average daily volume (thousands)	**2,972**	2,145	5,269	**4,364**	2,169

As at September 30, 2022, a total of 15.3 million options were outstanding with a weighted average exercise price of $0.82 per share and each option entitles the holder to acquire one Gear common share. As at the date of this MD&A, Gear had 14.4 million options outstanding.

Dividends

Table 19 shows a breakdown of Gear's Dividends:

Table 19

Declaration date	**Record date**	**Payment date**	**Dividends per common share**	**Dividends** ($ thousands)
May 4, 2022	May 16, 2022	May 30, 2022	$ 0.01	$ 2,610
July 27, 2022	August 15, 2022	August 31, 2022	0.02	5,164
September 1, 2022	September 15, 2022	September 30, 2022	0.01	2,587
Total				$ 10,361

Subsequent to period end, on October 3, 2022, the Board of Directors approved and declared a monthly dividend of $0.01 per common share, designated as an eligible dividend, payable in cash to shareholders of record on October 17, 2022. The dividend payment date is October 31, 2022.

Subsequent to period end, on November 1, 2022, the Board of Directors approved and declared a monthly dividend of $0.01 per common share, designated as an eligible dividend, payable in cash to shareholders of record on November 15, 2022. The dividend payment date is scheduled for November 30, 2022.

Environmental, Social, and Governance ("ESG") Initiatives Impacting Gear

Environmental

Gear has a track record of investing in the environment that started with the installation of a large-scale fuel system to capture vented natural gas in Wildmere back in 2010. Since that time, Gear has continued to expand those fuel systems across many of the assets to both conserve and reduce vented natural gas on our major properties. Additionally, Gear has expanded and continues to expand participation in programs designed to reduce methane emissions through a number of initiatives including replacing high bleed pneumatic controllers with low and zero bleed controllers, installing vapor recovery units to capture tank vent gas, installing instrument air instead of utilizing natural gas and utilizing electricity where possible. Most recently in Southeast Saskatchewan, Gear completed a project with a third party to implement a significant flaring and emissions reduction system.

In almost all areas, Gear has been accessing reservoirs using multi-well pad and multi-leg horizontal drilling designs, materially reducing the surface footprint required to access resources. Similarly, Gear has been implementing, optimizing, and expanding water flooding projects in multiple core areas. These water floods allow Gear to efficiently access incremental resources that would be left behind under primary recovery without expanding surface footprints.

Significant effort continues to be focused on the abandonment and reclamation of inactive wells. Over the last three years, Gear has abandoned an average of 82 wells per year and the forecast for 2022 is to increase that amount to over 150 wells. Through the course of 2022, Gear is forecasting to abandon over six times as many wells as will be drilled over the same period. During the quarter, Gear cut and capped 77 gross wells and downhole abandoned 35 gross wells in Alberta and cut and capped two gross wells and downhole abandoned 20 gross wells in Saskatchewan. During the nine months ended September 30, 2022, Gear cut and capped 123 gross wells and downhole abandoned 124 gross wells in Alberta, and cut and capped four gross wells and downhole abandoned 21 gross wells in Saskatchewan.

Social

Health and safety have always been prioritized to ensure the well-being of all stakeholders while successfully growing the tangible value of Gear's assets. Safety for Gear's workforce including contractors is paramount. Gear hosts monthly safety meetings for its field staff to review all safety protocols, engage in significant training, utilize standardized procedures and perform regular competency assessments. Over the last three years, including to the end of the third quarter of 2022, Gear has had zero lost time injuries and zero recordable injuries.

Gear provides material investment in and assistance to the communities where Gear operates. Gear also believes that its main objective is to generate value creation for its shareholders so that they can, if they so choose, provide a return to society as well. Additionally, Gear supports its employees as they regularly contribute both personal resources and time to enhancing communities through various corporate and employee initiatives.

Governance

Gear's outstanding teams operate in an environment of honesty, integrity and accountability. Related corporate policies and guidelines are included in the Code of Business Conduct & Ethics, the Whistleblower Policy, the Governance, Compensation and Sustainability Committee Mandate and the Mandate of the Board of Directors. All these documents are posted on the Gear website at https://gearenergy.com/governance/. These documents, among others, including the Board and Management Diversity and Renewal Policy, outline Gear's commitment to multiple matters including compliance with all regulatory and environmental laws, valuing diversity and a commitment to providing equal opportunity in all aspects of employment, and oversight of all facets of the company's environmental, health and safety protocols.

Gear prides itself on high governance standards. These standards include:

Shareholder alignment to Management and Director compensation	Gear conducts an extensive annual compensation benchmarking analysis. Its management team has one of the lower base salary structures amongst its peers and its incentive compensation structure is based on multiple performance factors including a proved developed reserves value creation formula as well as relative share price returns.
Full, clear, and truthful disclosure	Gear reports its quarterly information on a timely basis in a format that is full and clear. In addition, Gear publishes a monthly President's letter that attempts to deal with current matters that are pertinent to Gear and its business.
Board independence	All of Gear's Board members, with the exception of Ingram Gillmore, Chief Executive Officer, are independent. On an annual basis, all directors participate in an annual evaluation process.

Contractual Obligations and Commitments

Gear has contractual obligations in the normal course of operations including purchase of assets and services, operating agreements, transportation commitments, sales commitments, royalty obligations, lease rental obligations and employee agreements. These obligations are of a recurring, consistent nature and impact Gear's funds from operations in an ongoing manner. Gear also has contractual obligations and commitments that are of a less routine nature as disclosed in its Consolidated Financial Statements.

In addition to the Credit Facilities, as at September 30, 2022, Gear had the following contractual commitments:

- lease agreements for its head office and its two field offices;
- one service commitment; and
- one transportation commitment

Lease agreements for Gear's head and field offices are effective until July 31, 2025. The remaining commitment for these lease agreements is \$1.2 million. The service commitment relates to a software agreement that expires in 2023 with a remaining commitment of \$0.1 million. The transportation commitment relates to an agreement with a mid-stream company. The original transportation commitment had an annual base commitment of \$0.4 million until 2030, or until the total transportation commitment is extinguished as fees paid in excess of the annual base amounts are applied to the outstanding contract balance. As at September 30, 2022, Gear will pay an escalated transportation fee until 2026, or when the total transportation commitment is extinguished. Project costs have come in lower than expected and the commitment is decreasing faster than expected due to increased production and pricing. The total remaining transportation commitment is \$1.6 million. During the first quarter of 2022, the outstanding transportation commitment was reduced by an additional \$0.6 million as a result of cost revisions. For further information see Note 12 "Commitments and Contingencies" in the notes to the unaudited Interim Condensed Consolidated Financial Statements.

Gear is involved in litigation and claims arising in the normal course of operations. Management is of the opinion that pending litigation will not have a material impact on Gear's financial position and results of operations.

Non-GAAP Measures

Gear uses certain non-GAAP and other financial measures to analyze financial and operating performance. These specified financial measures include non-GAAP financial measures, non-GAAP ratios, total of segments measures, 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 three and nine months ended September 30, 2022 and year ended December 31, 2021, where applicable, are 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, settle decommissioning liabilities, repay debt, finance dividends and/or repurchase common shares under the Company's NCIB.

Table 20 below reconciles cash flows from operating activities to funds from operations:

Table 20

($ thousands)	Three months ended **Sep 30, 2022**	Three months ended Sep 30, 2021	Three months ended Jun 30, 2022	Nine months ended **Sep 30, 2022**	Nine months ended Sep 30, 2021
Cash flows from operating activities	**26,196**	9,601	29,668	**71,204**	34,460
Decommissioning liabilities settled (1)	**2,859**	40	1,100	**4,871**	619
Change in non-cash operating working capital	**(6,511)**	6,314	3,002	**(979)**	1,351
Funds from operations	**22,544**	15,955	33,770	**75,096**	36,430

(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, settle decommissioning liabilities, repay debt, finance dividends and/or repurchase common shares under the Company's NCIB.

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, settle decommissioning liabilities, repay debt, finance dividends and/or repurchase common shares under the Company's NCIB.

Funds from operations per weighted average diluted share
Funds from operations per weighted average diluted 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 diluted 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 diluted share basis, necessary to fund its capital program, settle decommissioning liabilities, repay debt, finance dividends and/or repurchase common shares under the Company's NCIB.

Free funds from operations
Free funds from operations is a non-GAAP financial measure defined as cash flows from operating activities, adjusted for the net change in non-cash operating working capital, less capital expenditures and net acquisitions funded by funds from operations. Gear evaluates its financial performance on free funds from operations and considers it a key measure for management and investors as it demonstrates the Company's ability to generate the cash flow necessary to fund its capital program, settle decommissioning liabilities, repay debt, finance dividends and/or repurchase common shares under the Company's NCIB.

Table 21 below reconciles cash flows from operating activities to free funds from operations:

Table 21

($ thousands)	Three months ended **Sep 30, 2022**	Three months ended Sep 30, 2021	Three months ended Jun 30, 2022	Nine months ended **Sep 30, 2022**	Nine months ended Sep 30, 2021
Cash flows from operating activities	**26,196**	9,601	29,668	**71,204**	34,460
Change in non-cash operating working capital	**(6,511)**	6,314	3,002	**(979)**	1,351
Capital expenditures	**(14,872)**	(10,256)	(8,091)	**(31,650)**	(23,948)
Free funds from operations	**4,813**	5,659	24,579	**38,575**	11,863

Net surplus (debt)
Net surplus (debt) is a capital management measure defined as debt less current working capital items (excluding debt, risk management contracts and decommissioning liabilities). Gear believes net surplus (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 surplus (debt) are primarily a result of funds from operations, capital and abandonment expenditures, equity issuances, dividends paid and equity repurchases pursuant to the NCIB.

Table 22 below reconciled debt to net surplus (debt):

Table 22

Capital structure and liquidity ($ thousands)	**Sep 30, 2022**	Dec 31, 2021
Debt	**-**	(26,355)
Working capital surplus (1)	**6,959**	10,525
Net surplus (debt)	**6,959**	(15,830)

(1) Excludes risk management contracts, debt and decommissioning liabilities.

At September 30, 2022, Gear had a working capital surplus. When in a deficit position, the Company is able to meet obligations as they come due by drawing on the Credit Facilities. Gear actively manages its liquidity through strategies such as continuously monitoring forecasted and actual cash flows from operating, financing and investing activities, available credit under existing banking arrangements and opportunities to issue additional equity. After examining the economic factors that could cause liquidity risk, the Company expects to have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months. There can be no assurance that future borrowing base reviews will not result in a material reduction in the borrowing base, and that the necessary funds will be available to meet its obligations as they become due.

Net debt to trailing twelve-month funds from operations
Net debt to trailing twelve-month 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 most recent trailing twelve-month period. 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 trailing twelve-month results. When the Company is in a net surplus position, the Company's net debt to trailing twelve-month funds from operations is nil as the Company is not required to pay off or take on new debt.

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. When the Company is in a net surplus position, the Company's net debt to annualized funds from operations is not considered to be applicable as the Company is not required to pay off or take on new debt.

Debt adjusted shares
Debt adjusted shares is a non-GAAP financial measure calculated as the weighted average shares minus the share equivalent when Gear has an average net surplus position, or plus the share equivalent when Gear has an average net debt position, as defined and reconciled to debt above, over the period. This assumes that net surplus is used to repurchase shares or net debt is extinguished with an 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, or Gear has the ability to repurchase shares when in a net surplus position. 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 or the price that the Company repurchases shares at. 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.

Table 23 below reconciles weighted average basic shares to debt adjusted shares:

Table 23

	Three months ended			Nine months ended	
(thousands, except per share amounts)	**Sep 30, 2022**	Sep 30, 2021	Jun 30, 2022	**Sep 30, 2022**	Sep 30, 2021
Weighted average basic shares	**258,385**	258,274	260,561	**259,752**	245,061
Average share price (1)	**1.14**	0.79	1.27	**1.14**	0.79
Average net surplus (debt) (2)	**8,367**	(30,639)	1,535	**(4,436)**	(40,362)
Share equivalent on average net surplus (debt) (3)	**(7,339)**	38,783	(1,209)	**3,891**	51,090
Debt adjusted shares	**251,046**	297,057	259,352	**263,643**	296,151

(1) Average share price obtained by a ten-day volume weighted average price ending at the end of the period.
(2) Average net surplus (debt) obtained by a simple average between opening and ending net surplus (debt) for the three and nine months ended.
(3) Share equivalent on average net surplus (debt) obtained by average net surplus (debt) divided by average share price.

Funds from operations per debt adjusted share
Funds from operations per debt adjusted share is a non-GAAP ratio calculated as funds from operations, as defined and reconciled to cash flows from operating activities above, divided by debt adjusted shares, as defined and reconciled to weighted average basic shares above. Gear considers the non-GAAP ratio funds from operations per debt adjusted share 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 to demonstrate its ability to generate the funds from operations necessary to fund its capital program, settle decommissioning liabilities, repay debt, finance dividends and/or repurchase common shares under the Company's NCIB.

Cash flows from operating activities per debt adjusted share
Cash flows from operating activities per debt adjusted share is a non-GAAP ratio calculated as cash flows from operating activities, as determined in accordance with IFRS, divided by debt adjusted shares, as defined and reconciled to weighted average basic shares above. Gear considers the non-GAAP ratio cash flows from operating activities per debt adjusted share 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 to demonstrate its ability to generate the cash flows from operating activities necessary to fund its capital program, repay debt, finance dividends and/or repurchase common shares under the Company's NCIB.

Production, boepd per debt adjusted thousand shares
Production, boepd per debt adjusted thousand shares is a non-GAAP ratio calculated as production, boepd, divided by debt adjusted thousand shares, as defined and reconciled to weighted average basic shares above. Gear considers production, boepd per debt adjusted thousand 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.

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.

Critical Accounting Estimates
Gear's financial and operating results incorporate certain estimates including:

- Estimated revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and costs have not yet been determined;
- Estimated capital expenditures on projects that are in progress;
- Estimated DD&A charges that are based on estimates of oil and gas reserves that Gear expects to recover in the future;
- Estimated future recoverable value of property, plant and equipment and any associated impairment charges or recoveries including those associated with the highly uncertain timing and impact of global energy markets transition from carbon-based sources to alternative energy;
- Estimated impacts of COVID-19 on Gear's operations and future financial performance;
- Estimated fair values of derivative contracts that are subject to fluctuation depending upon the underlying commodity prices and foreign exchange rates;
- Estimated decommissioning liabilities that are dependent upon estimates of future costs and timing of expenditures;
- Estimated future utilization of tax pools; and
- Estimated employee share- based compensation costs.

Gear has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates. For further information on the determination of certain estimates inherent in the financial statements refer to Note 4 "Management Judgments and Estimation Uncertainty" in the audited Financial Statements for the year ended December 31, 2021.

Disclosure Controls and Procedures

Gear’s Chief Executive Officer and Chief Financial Officer are responsible for the establishment of disclosure controls and procedures (“DC&P”). DC&P, as defined in National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, are designed to provide reasonable assurance that information required to be disclosed in the Company’s annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

Gear’s Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting (“ICFR”) for Gear. They have, as at September 30, 2022, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework Gear’s officers used to design the Company’s ICFR is the Internal Control - Integrated Framework (“COSO Framework”) published by The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

There were no changes in Gear’s ICFR during the three months ended September 30, 2022 that materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

Forward-looking Information and Statements

This MD&A 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 MD&A contains forward-looking information and statements pertaining to the following: Gear's strategy for delivering per share growth and enhanced returns; expectations with respect to commodity pricing and supply and demand factors affecting commodity pricing; Gear's intent to continue to deliver on the forecast of a combination of growth and returning capital to shareholders; 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; the expected details of the 2023 capital budget including the expectation that the capital budget will deliver five to six per cent annual growth, continuation of the one cent per share monthly dividend, maintenance of Gear's strong balance sheet and continued improvement in Gear's environmental footprint; Gear's plans of drilling 23 wells in 2023 and the anticipated timing and cost thereof; Gear's expectation of targeting increases in oil recovery factors and lower production decline rates from funding of water flood expansions; Gear's budget of capital inflation to be approximately 12 per cent; Gear's forecasting of 2023 funds from operations; Gear's forecasted $0.01 per share per month dividend to total approximately $31 million; Gear's forecast of the dividend to be funded with free FFO; Gear's anticipation of interest and financing charges mainly being a combination of standby and Credit Facilities fees while in a cash position; Gear's expectations as to Gear's future hedging strategy; Gear's estimate of capital expenditures increasing significantly over the third quarter including plans of drilling an estimated eight new wells and the timing and availability of services associated therewith; Gear's forecast of funds invested in a waterflood expansion in Maidstone, Saskatchewan and in the initiation of waterfloods in Provost, Alberta and Tableland, Saskatchewan and the timing and availability of services associated therewith; Gear’s expectation to have sufficient liquidity to support its operations and meet its financial obligations over the next 12 months; Gear's expected abandonment and reclamation obligations; the number of wells Gear expects to abandon and reclaim in 2022; 2023 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; Gear's plans and expectations with respect to reducing methane and other emissions; the expectation of Gear's financial commitments under contractual commitments; and Gear's expectation that pending litigation will not have a material impact on Gear's financial position or results of operations.

The forward-looking information and statements contained in this report 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 future oriented financial information or 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 MD&A 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: changes in commodity prices; changes in the demand for or supply of Gear's products; the impacts of the Russian-Ukraine war on the global economy and commodity prices; increasing costs and access to equipment and personnel resulting from the impacts of inflation and supply chain shortages; 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, the continued impact of the COVID-19 pandemic; any ability for Gear to repay any of its indebtedness when due; increased debt levels or debt service requirements; inaccurate estimation of Gear's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in Gear's public documents including risk factors set out in Gear's most recent annual information form, which is available on SEDAR at www.sedar.com.

The amount of future cash dividends paid by Gear, if any, will be subject to the discretion of the Board of Directors of Gear and may vary depending on a variety of factors and conditions existing from time to time, including, among other things, funds from operations, fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements and debt levels, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. Depending on these and various other factors, many of which will be beyond the control of the Company, the dividend policy of the Company from time to time and, as a result, future cash dividends may not be paid or if paid could at a later date be reduced or suspended entirely.

The forward-looking information and statements contained in this report are made as of the date of this report, 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.

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 does 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.

QUARTERLY HISTORICAL REVIEW

	2022			2021				2020
(Cdn$ thousands, except per share, share, and per boe amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
FINANCIAL								
Petroleum and natural gas sales	44,840	57,635	45,524	39,961	35,189	29,651	24,226	19,644
Funds from operations [1]	22,544	33,770	18,782	17,938	15,955	12,222	8,253	8,253
Per weighted average basic share	0.09	0.13	0.07	0.07	0.06	0.05	0.04	0.04
Per weighted average diluted share	0.09	0.13	0.07	0.07	0.06	0.05	0.04	0.04
Cash flows from operating activities	26,196	29,668	15,340	17,421	9,601	14,967	9,892	8,016
Per weighted average basic share	0.10	0.11	0.06	0.07	0.04	0.06	0.04	0.04
Per weighted average diluted share	0.10	0.11	0.06	0.07	0.04	0.06	0.04	0.03
Net income (loss)	17,750	23,309	6,227	78,117	6,608	(730)	(3,497)	39,349
Per weighted average basic share	0.07	0.09	0.02	0.30	0.03	0.00	(0.02)	0.18
Per weighted average diluted share	0.07	0.09	0.02	0.30	0.03	0.00	(0.02)	0.15
Capital expenditures	14,872	8,091	8,687	4,936	10,256	5,809	7,883	386
Decommissioning liabilities settled - Gear	2,859	1,100	912	1,000	40	183	396	141
Decommissioning liabilities settled - Government [2]	433	250	-	566	904	511	1,041	585
Free funds from (used in) operations [1]	4,813	24,579	9,183	12,002	5,659	6,230	(26)	7,726
Net surplus (debt) [1]	6,959	9,775	(6,706)	(15,830)	(27,860)	(33,418)	(42,929)	(52,864)
Dividends declared and paid	7,751	2,610	-	-	-	-	-	-
Dividends declared and paid per share	0.03	0.01	-	-	-	-	-	-
Weighted average shares outstanding, basic (thousands)	258,385	260,561	260,331	259,360	258,274	247,415	221,090	216,490
Weighted average shares outstanding, diluted (thousands)	263,585	268,353	269,016	265,460	263,719	247,415	221,090	257,996
Shares outstanding, end of period (thousands)	259,367	258,173	260,759	260,169	259,107	258,103	247,415	216,490
OPERATING								
Production								
Heavy oil (bbl/d)	2,546	2,686	3,043	3,282	3,325	3,207	3,026	3,236
Light and medium oil (bbl/d)	1,971	1,980	1,580	1,773	1,656	1,469	1,513	1,657
Natural gas liquids (bbl/d)	320	243	269	231	176	148	121	182
Natural gas (mcf/d)	5,339	5,205	4,855	4,637	4,215	3,694	4,043	4,477
Total (boe/d)	5,727	5,777	5,701	6,059	5,859	5,440	5,335	5,821
Average prices								
Heavy oil ($/bbl)	89.32	116.74	95.91	73.27	67.86	62.14	51.58	36.16
Light and medium oil ($/bbl)	109.95	133.18	110.32	88.99	80.49	74.72	63.16	48.10
Natural gas liquids ($/bbl)	60.62	72.59	63.88	59.50	47.48	34.40	42.61	26.02
Natural gas ($/mcf)	4.47	7.38	4.64	4.81	3.62	3.15	3.05	2.69
Selected financial results ($/boe)								
Petroleum and natural gas sales	85.10	109.63	88.73	71.69	65.29	59.90	50.46	36.68
Royalties	(12.14)	(15.56)	(9.38)	(8.11)	(7.50)	(6.64)	(4.77)	(4.38)
Operating costs	(21.16)	(21.86)	(19.80)	(16.94)	(17.44)	(16.66)	(17.51)	(14.83)
Transportation costs	(3.67)	(3.56)	(3.43)	(3.00)	(2.04)	(2.06)	(2.01)	(1.96)
Operating netback [1]	48.13	68.65	56.12	43.64	38.31	34.54	26.17	15.51
Realized risk management (loss) gain	(1.94)	(0.96)	(14.11)	(8.20)	(5.13)	(5.55)	(4.55)	4.67
General and administrative	(3.20)	(2.94)	(4.83)	(2.55)	(2.70)	(2.66)	(2.37)	(2.41)
Interest and other	(0.20)	(0.51)	(0.57)	(0.71)	(0.88)	(1.64)	(2.06)	(2.36)

(1) Funds from operations, free funds from operations, net surplus (debt) and operating netback are non-GAAP and other financial measures and additional information with respect to these measures can be found under the heading “Non-GAAP and Other Financial Measures”.
(2) Decommissioning liabilities settled by the Federal Site Rehabilitation Program.

Quarter over quarter fluctuations in revenue are the result of both the amount of oil volumes sent to sale as well as Gear’s received price. Volume fluctuations are the result of well productivity and timing of deliveries to the sales point. The amount of volumes delivered to sale can be influenced by a variety of factors some of which include weather, truck and rail car availability, as well as pipeline apportionments. Gear’s received price is based on WTI less the WCS, Canadian Light Sweet and LSB oil differentials and is further decremented for the quality differential on its specific grade of oil. Net income is further impacted by royalty and operating expenses. Royalty expenses are directly linked to the price received by Gear and, on crown lands, the productivity of each producing well. Gear’s royalty profile changes based on Gear’s drilling program and on the results of its existing producing wells. Operating costs are heavily impacted by weather as well as the productivity of each well. Operating costs are typically higher in the winter months due to increased maintenance and energy costs.

CORPORATE INFORMATION

DIRECTORS

Don Gray
Chairman
Phoenix, Arizona

Harry English
Independent Businessman
Calgary, Alberta

Ingram Gillmore
President & CEO, Gear Energy Ltd.
Calgary, Alberta

Scott Robinson
Independent Businessman
Calgary, Alberta

Bindu Wyma
Independent Businesswoman
Calgary, Alberta

Greg Bay
Managing Partner, Cypress Capital Management
Vancouver, British Columbia

Wilson Wang
Managing Partner, Twin Peaks Capital LLC
Honolulu, Hawaii

OFFICERS

Ingram Gillmore
President & CEO

Bryan Dozzi
Vice-President, Engineering

David Hwang
Vice-President Finance & CFO

Jason Kaluski
Vice-President, Operations

Dustin Ressler
Vice-President, Exploration

Ted Brown
Corporate Secretary

Head Office

Gear Energy Ltd.
800, 205 – 5th Avenue SW Bow Valley Square II
Calgary, Alberta T2P 2V7

Auditors

Deloitte LLP
700, 850 2nd Street SW
Calgary, Alberta T2P 0R8

Bankers

ATB Financial
600, 585 – 8th Avenue SW
Calgary, Alberta T2P 1G1

Business Development Bank of Canada
Suite 110, 444 – 7th Avenue SW
Calgary, Alberta T2P 0X8

Engineering Consultants

Sproule Associates Limited
Suite 900, 140 4th Avenue SW
Calgary, Alberta T2P 3N3

Legal Counsel

Burnet Duckworth & Palmer LLP
2400, 525 – 8th Avenue SW
Calgary, Alberta T2P 1G1

Transfer Agent

Odyssey Trust Company
1230 – 300 5th Avenue SW
Calgary, Alberta T2P 3C4

Contact Information:

Ingram Gillmore	David Hwang
President & CEO	Vice-President Finance & CFO
403-538-8463	403-538-8437

Email: info@gearenergy.com
Website: www.gearenergy.com