GEAR ENERGY

NEWS RELEASE

GEAR ENERGY LTD. ANNOUNCES THIRD QUARTER 2022 OPERATING RESULTS AND 2023 BUDGET GUIDANCE

CALGARY, ALBERTA (November 2, 2022) Gear Energy Ltd. ("Gear" or the "Company") (TSX:GXE) (OTCQX:GENGF) is pleased to provide the following third quarter operating update to shareholders and 2023 budget guidance. Gear's Interim Condensed Consolidated Financial Statements and related Management's Discussion and Analysis ("MD&A") for the period ended September 30, 2022 are available for review on Gear's website at www.gearenergy.com and on www.sedar.com.

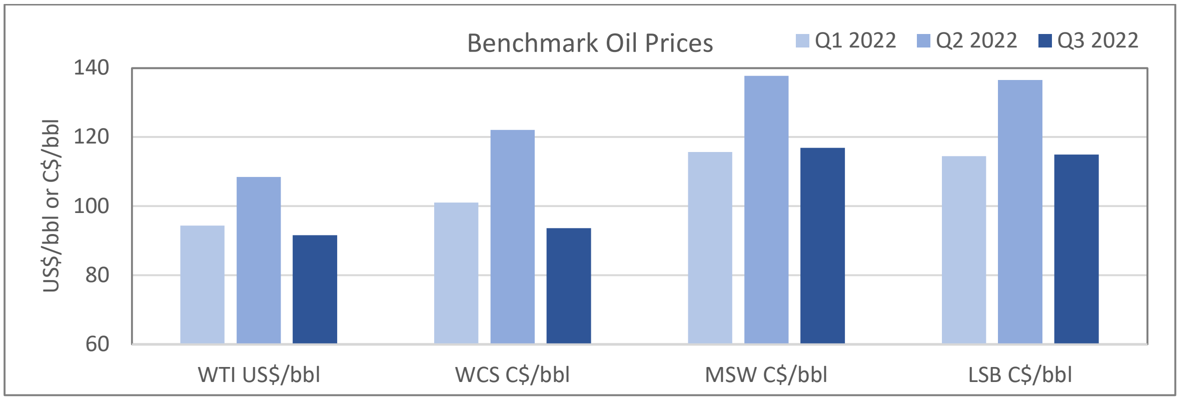
	Three months ended			Nine months ended	
(Cdn$ thousands, except per share, share and per boe amounts)	**Sep 30, 2022**	Sep 30, 2021	Jun 30, 2022	**Sep 30, 2022**	Sep 30, 2021
FINANCIAL					
Funds from operations (1)	**22,544**	15,955	33,770	**75,096**	36,430
Per boe	**42.79**	29.60	64.24	**47.96**	24.06
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
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 this press release.

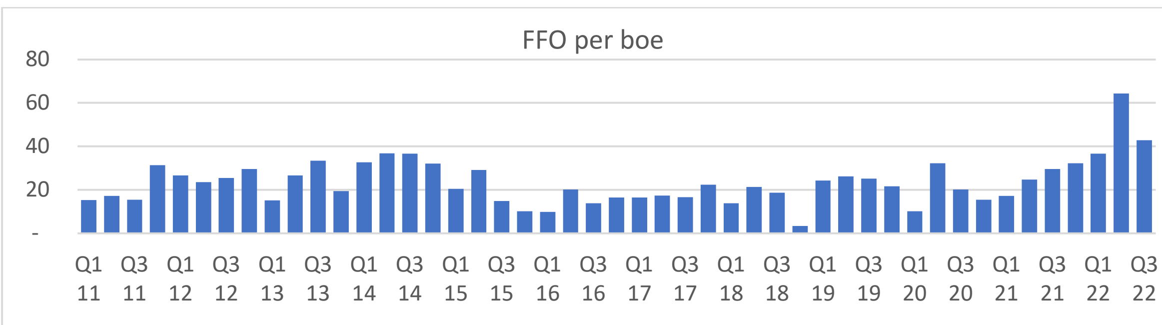
(2) Decommissioning liabilities settled by the Federal Site Rehabilitation Program.

MESSAGE TO SHAREHOLDERS

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.



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.

QUARTERLY HIGHLIGHTS

- Funds from operations for the third quarter of 2022 of $22.5 million, a decrease of 33 per cent from the second quarter of 2022 primarily as a result of lower commodity prices. Third quarter realized prices fell from $109.63 per boe in the second quarter of 2022 to $85.10 per boe. The decrease in commodity prices was driven by a decline in the WTI benchmark oil price and a widening WCS heavy oil differential. Combined, the benchmark WCS heavy oil price averaged US$71.66 per barrel in the third quarter compared to US$95.61 per barrel in the second quarter.

- Despite the decrease in commodity prices, Gear generated $4.8 million in free funds from operations in a quarter where Gear spent a significant amount of capital expenditures on an active drilling program. In the third quarter, Gear drilled seven gross (seven net) wells including three exploratory heavy oil wells, two heavy oil wells in Lindbergh, and two heavy oil wells in Wildmere and was in the midst of drilling an eighth well in Wildmere which was rig-released in early October. A total of $14.9 million of capital expenditures were incurred for the quarter.

- Looking forward to the fourth quarter of 2022, capital expenditures are estimated to increase significantly over the third quarter. Eight new wells are planned for last quarter of the year 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.

- Production in the third quarter of 5,727 boe per day remained relatively unchanged from the second quarter. Of the seven wells drilled during the quarter, one came on production in late August, contributing approximately 40 boe per day to the quarterly average, one exploratory well did not realize economic production, and the remaining five wells came on late in the quarter, or subsequent to quarter end, and will contribute incremental production through the fourth quarter. During the quarter, Gear encountered egress issues with two different third party gas infrastructures. As a result, approximately 120 boe per day of production was restricted during the third quarter. These issues have been partially resolved subsequent to quarter end.

- During the nine months ended September 30, 2022, as a result of combined efforts of both Gear and the Federal Government's Site Rehabilitation Program, the combined $5.6 million of decommissioning expenditures allowed Gear to cut and cap 127 gross wells and downhole abandon 145 gross wells.

- Realized a net surplus of $7.0 million as of September 30, 2022 while returning $7.8 million in dividends ($14.71 per boe) to Gear's shareholders through a total of $0.03 per share dividend for the quarter. No shares were repurchased under Gear's Normal Course Issuer's Bid for the third quarter as funds from operations were preferentially allocated to dividends and Gear's capital program.

2023 BUDGET GUIDANCE

The Board of Directors has approved a 2023 capital budget of $61 million dollars 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.

Table 1

	2023 Guidance	**2022 Guidance**	Q3 2022 YTD Actuals
Annual production (boe/d)	**6,100**	**5,700 – 5,900**	5,735
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)
Free funds from operations ($ 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.

Forward-looking Information and Statements

This press release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this press release contains forward-looking information and statements pertaining to the following: 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; 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; and 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.

The forward-looking information and statements contained in this press release reflect several material factors and expectations and assumptions of Gear including, without limitation: that Gear will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of Gear's reserves and resource volumes; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures. Gear believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

To the extent that any forward-looking information contained herein may be considered a financial outlook, such information has been included to provide readers with an understanding of management's assumptions used for budgeting and developing future plans and readers are cautioned that the information may not be appropriate for other purposes. The forward-looking information and statements included in this press release are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: the continuing impact of the COVID-19 pandemic; changes in commodity prices; changes in the demand for or supply of Gear's products; the impacts of the Russian-Ukraine war on the global economy and commodity prices; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Gear or by third party operators of Gear's properties, increased debt levels or debt service requirements; the impacts of inflation and supply chain issues; inaccurate estimation of Gear's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in Gear's public documents including in Gear's most current annual information form which is available on SEDAR at www.sedar.com.

The 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 press release speak only as of the date of this press release, and Gear does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Non-GAAP and Other Financial Measures

This press release includes references to non-GAAP and other financial measures that Gear uses to analyze financial performance. These specified financial measures include non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures, and are not defined by IFRS and are therefore referred to as non-GAAP and other financial measures. Management believes that the non-GAAP and other financial measures used by the Company are key performance measures for Gear and provide investors with information that is commonly used by other oil and gas companies. These key performance indicators and benchmarks as presented do not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other entities. These non-GAAP and other financial measures should not be considered an alternative to or more meaningful than their most directly comparable financial measure presented in the financial statements, as an indication of the Company’s performance. Descriptions of the non-GAAP and other financial measures used by the Company as well as reconciliations to the most directly comparable GAAP measure for the quarter 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.

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

	Three months ended			Nine months ended	
($ thousands)	Sep 30, 2022	Sep 30, 2021	Jun 30, 2022	Sep 30, 2022	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.

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.

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

	Three months ended			Nine months ended	
($ thousands)	Sep 30, 2022	Sep 30, 2021	Jun 30, 2022	Sep 30, 2022	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.

Reconciliation of debt to net surplus (debt):

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.

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.

Barrels of Oil Equivalent
Disclosure provided herein in respect of BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of six Mcf to one Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and do not represent a value equivalency at the wellhead. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

Initial Production Rates
Any references in this document to initial production (or IP) rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for Gear.

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