December 19, 2022
Vol. 9 Issue 11

Monthly Update

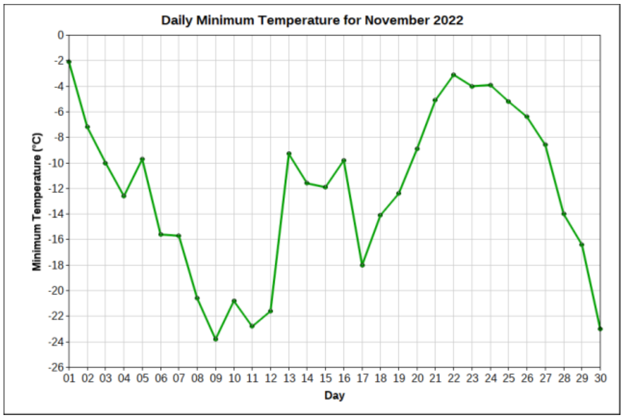
FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

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

	Q4 21	2021	Q1 22	Q2 22	Sep-22	Q3 22	Oct-22	Nov-22	Q4 22	2022 TD
WTI Benchmark Price ($US/bbl)	77.19	67.57	94.29	108.41	83.80	91.55	87.03	84.39	85.71	95.84
WCS Heavy Oil Differential ($US/bbl)	(14.63)	(12.45)	(14.53)	(12.80)	(19.69)	(19.89)	(20.65)	(26.25)	(23.45)	(17.14)
MSW Light Oil Differential (US$/bbl)	(3.10)	(3.88)	(2.96)	(0.50)	(1.58)	(2.05)	(1.21)	(2.25)	(1.73)	(1.82)
Funds from Operations ($MM)	17.9	54.4	18.8	33.8	6.8	22.5	7.9	6.1	14.1	89.2
Capital and Abandonment Expenditures ($MM)	5.9	30.5	9.6	9.2	5.2	17.7	4.8	9.2	14.0	50.5
Net Surplus (Debt) ($MM)	(15.8)	(15.8)	(6.7)	9.8	7.0	7.0	7.5	1.9	1.9	1.9
Production (boe/d)	6,059	5,676	5,701	5,777	5,686	5,727	5,857	5,733	5,796	5,746

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

As we work our way towards the end of the year, volatility continues to be a dominant theme. Besides the obvious recent action in the commodity market, another thing that you can usually count on being volatile in Canada is the “fall” weather. As can be seen below, the daily minimum temperatures in our Lloydminster field area have seen some extreme fluctuations through the month. Seeing 20 degree swings to the low side unfortunately makes it difficult for our operations teams to optimize wells and to truck all our oil from the tanks to the sales points. The end result in November was our field production coming in close to 5,900 boe per day, but our sales were lower at 5,733 boe per day, with the rest of the oil going into inventory. As we have done in the past, that incremental oil in inventory will be sold over subsequent months, when the weather and the road conditions are more cooperative.



The good news is that the remaining heavy oil wells drilled through the quarter are now on production and will start to contribute to sales through the end of the year and into next year. Additionally, Gear’s active 2022 drilling program is now complete for the year with four new Killam Sparky medium oil wells successfully drilled and frac’d and both Tableland Torquay light oil wells also successfully drilled with frac’s currently scheduled for January. With all these wells expected to start contributing production through late December to early February, Gear should enter 2023 with some positive production momentum.

However, back to the theme of volatility, while production momentum is looking positive, the momentum on the commodity price side is currently a little more difficult to discern. The oil price charts look unfortunately similar to the previously discussed temperature chart. Extreme swings seem to be the way we will be exiting the year.

Reading through all the third party analysis on what to predict for oil prices into 2023 does not make it easy to come to a simple conclusion. The pro-energy price strength factors are all quite convincing; chronic under-investment leading to low growth, Russian sanctions, anomalously low global inventories and potential China demand growth. However, the con-energy price factors are also tangible; the main theme being fear of a potential deep global recession, further lockdowns in China, and the possible conclusion of the Russian invasion of Ukraine.

Back in early November Gear released its 2023 capital budget based on a WTI oil price estimate of US $80 per barrel. Depending on the day, or the week, or the hour since then, that estimated oil price has ranged between too conservative to too aggressive. The only thing I am certain of is that 2023 oil prices will not match the current strip and that the best thing we can do is remain attentive to all the available information and be prepared to act quickly.

As we have so many times in the past, you will see the Gear team continue to target and balance between optimizing the ratio of funds flow to costs while remaining focused on our core goals of optimizing growth and shareholder returns whilst maintaining a strong balance sheet.

Certain information in this monthly update is forward-looking within the meaning of certain securities laws, and is subject to important risks, uncertainties and assumptions. This forward-looking information may include, among other things, estimated production, expected funds from operations and profit from certain assets of Gear, expectations of commodity prices and price differentials, demand for oil, capital expenditure budgets and estimates, royalty rates, operating costs, credit/debt requirements, and drilling inventory and locations. Readers should not rely on such forward-looking information to make investment decisions as the results or events anticipated or predicted in such forward-looking information may differ materially from actual results or events as a result of a number of factors including based on the risk factors as set forth in Gear's most recent annual information form (the "**AIF**"), which is available on this website and at www.sedar.com. Gear has based the forward-looking information on a number of assumptions including the assumptions identified in such monthly updates, which may not be realized. It has also assumed that the risk factors discussed in the AIF will not cause such forward-looking information to differ materially from actual results or events. The forward-looking information in this monthly update describes the expectations of management of Gear as of the respective dates of this monthly update and Gear does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws. Readers should not rely on the views of management of Gear as set out in this monthly update to make investment decisions with respect to Gear or other companies in the oil and gas industry and should instead consult with their own investment advisors.

This monthly update may include certain key performance indicators to analyze financial and operating performance such as funds from operations, funds from operations per debt adjusted share, production per day per thousand debt adjusted shares, operating netbacks, corporate netbacks and net debt, which do not have any standardized meaning prescribed by Canadian generally accepted accounting principles ("**GAAP**") and therefore may not be comparable with the calculation of similar measures for other entities. For additional information on these non-GAAP measures, see Gear's most recent management's discussion and analysis which is available on Gear's website at www.gearenergy.com and at www.sedar.com.

Barrel of oil equivalent ("boe") used in the monthly updates have been based on a conversion ratio of 1 barrel of oil to 6 thousand cubic feet of natural gas. A boe may be misleading, particularly if used in isolation, as such conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.