GEAR ENERGY

Monthly Update

January 17, 2023
Vol. 9 Issue 12

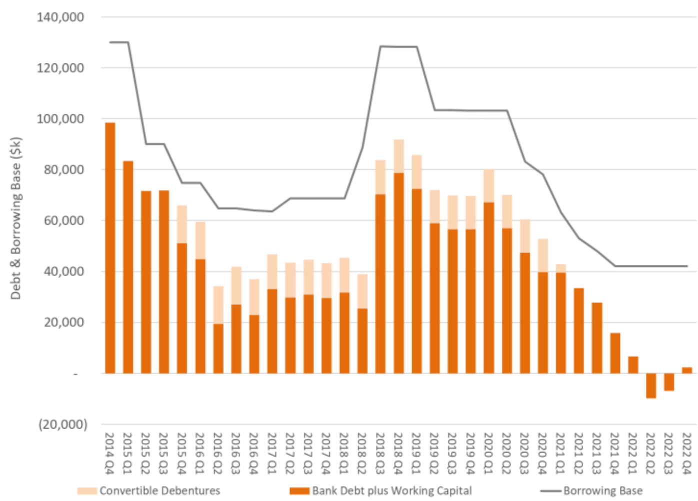
FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

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

	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022
WTI Benchmark Price ($US/bbl)	67.57	94.29	108.41	91.55	82.65	94.23
WCS Heavy Oil Differential ($US/bbl)	(12.45)	(14.53)	(12.80)	(19.89)	(25.42)	(18.16)
MSW Light Oil Differential (US$/bbl)	(3.88)	(2.96)	(0.50)	(2.05)	(1.61)	(1.78)
Funds from Operations ($MM)	54.4	18.8	33.8	22.5	18.7	93.8
Capital Expenditures ($MM)	28.9	8.7	8.1	14.9	18.9	50.5
Abandonment Expenditures ($MM)	1.6	0.9	1.1	2.9	1.4	6.3
Dividends Paid ($MM)	0.0	0.0	2.6	7.8	7.8	18.2
Net Surplus (Debt) ($MM)	(15.8)	(6.7)	9.8	7.0	(2.4)	(2.4)
Production (boe/d)	5,676	5,701	5,777	5,727	5,754	5,740

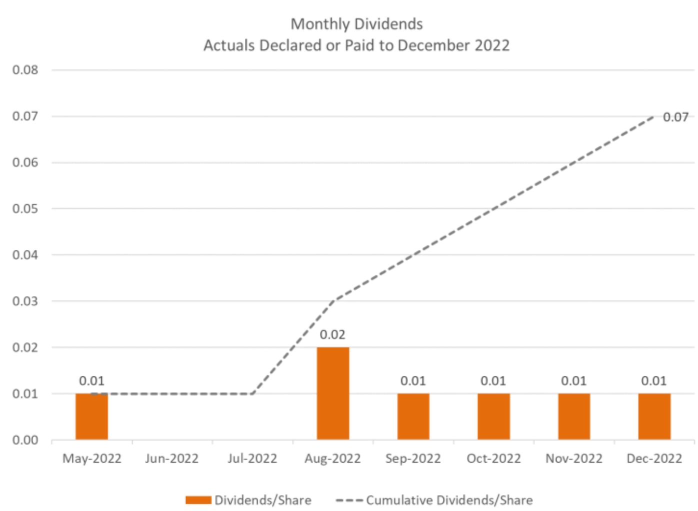
Note: All items are based on estimates; actuals will vary from estimates due to accruals and adjustments. Such variances may be material.

With this note shareholders gain a glimpse at Gear's draft year-end numbers for 2022. And what a year it has been. WTI oil prices started in the low US$70s, ran all the way up to the US$120s, and then all the way back down again towards the end of the year. WCS heavy oil differentials were even more volatile, ranging from the low US$12 range to almost US$30 at year-end. On an operations front, Canadian energy companies dealt with all kinds of challenges, including everything from extreme weather swings, equipment, and labour shortages and of course material inflationary pressures to name a few.

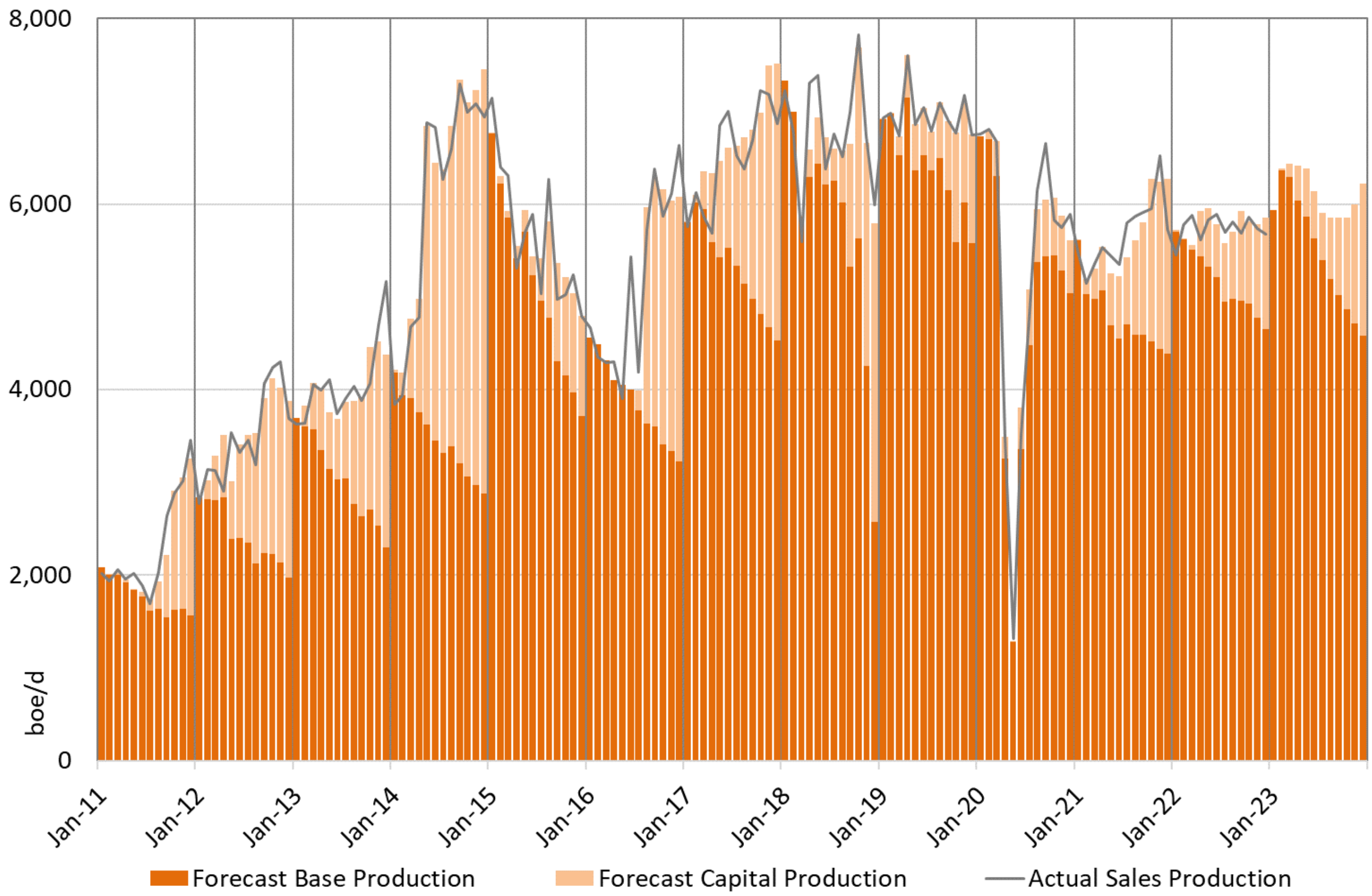


Despite all that volatility, Gear was able to accomplish many great things in 2022 including:

- Through the course of 2022, reduced net debt by $13.4MM to bring the year-end number very close to zero. This was a key strategic goal since 2020 when total net debt was over $80MM. The strength of Gear's balance sheet continues to be a rare attribute in the energy space.
- Maintained stable production through the year with growth expected into Q1 2023 from the wells drilled late in Q4 2022 and completed in December and January.
- Distributed a total of $18.2MM in dividends to shareholders, a total of $0.07 per share.
- Invested $5.3MM in early 2022 buying back shares



In aggregate, almost $37MM was either distributed to shareholders or used to reduce debt, representing nearly 40 per cent of Gear's annual funds from operations.



On a monthly basis, production was impacted slightly in late December by yet another extreme cold event. Record cold of minus 50C with the windchills had our operations teams earning their Holiday dinners for sure. With a little temperature stability, and production from our new wells in Killam and Tableland coming on in late December and late January, we are forecasting Q1 and Q2 of 2023 to start showing the impacts of a material portion of the 2022 capital program. And although it appears that macro price (and possibly temperature) volatility will continue into 2023, we look forward to seeing what the Gear team can accomplish into the new year!

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.