FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended			Year ended	
(Cdn$ thousands, except per share, share and per boe amounts)	**Dec 31, 2022**	Dec 31, 2021	Sep 30, 2022	**Dec 31, 2022**	Dec 31, 2021
FINANCIAL					
Funds from operations (1)	**18,676**	17,938	22,544	**93,772**	54,368
Per boe	**35.27**	32.18	42.79	**44.77**	26.24
Per weighted average basic share	**0.07**	0.07	0.09	**0.36**	0.22
Cash flows from operating activities	**18,565**	17,421	26,196	**89,769**	51,881
Per boe	**35.06**	31.25	49.72	**42.85**	25.04
Per weighted average basic share	**0.07**	0.07	0.10	**0.35**	0.21
Net income	**27,695**	78,117	17,750	**74,981**	80,498
Per weighted average basic share	**0.11**	0.30	0.07	**0.29**	0.32
Capital expenditures	**18,899**	4,936	14,872	**50,549**	28,884
Decommissioning liabilities settled- Gear	**1,417**	1,000	2,859	**6,288**	1,619
Decommissioning liabilities settled- Government (2)	**532**	566	433	**1,215**	3,022
Net (debt) surplus (1)	**(2,220)**	(15,830)	6,959	**(2,220)**	(15,830)
Dividends declared and paid	**7,795**	-	7,751	**18,156**	-
Dividends declared and paid per share	**0.03**	-	0.03	**0.07**	-
Weighted average shares, basic (thousands)	**259,908**	259,360	258,385	**259,791**	248,665
Shares outstanding, end of period (thousands)	**260,693**	260,169	259,367	**260,693**	260,169
OPERATING					
Production					
Heavy oil (bbl/d)	**2,772**	3,282	2,546	**2,760**	3,211
Light and medium oil (bbl/d)	**1,835**	1,773	1,971	**1,842**	1,604
Natural gas liquids (bbl/d)	**299**	231	320	**283**	169
Natural gas (mcf/d)	**5,091**	4,637	5,339	**5,124**	4,149
Total (boe/d)	**5,755**	6,059	5,727	**5,739**	5,676
Average prices					
Heavy oil ($/bbl)	**69.72**	73.27	89.32	**92.80**	64.05
Light and medium oil ($/bbl)	**103.62**	88.99	109.95	**114.67**	77.51
Natural gas liquids ($/bbl)	**58.48**	59.50	60.62	**63.38**	47.90
Natural gas ($/mcf)	**5.11**	4.81	4.47	**5.41**	3.71
Netback ($/boe)					
Petroleum and natural gas sales	**74.19**	71.69	85.10	**89.40**	62.28
Royalties	**(10.40)**	(8.11)	(12.14)	**(11.89)**	(6.82)
Operating costs	**(21.55)**	(16.94)	(21.16)	**(21.10)**	(17.13)
Transportation costs	**(4.03)**	(3.00)	(3.67)	**(3.67)**	(2.30)
Operating netback (1)	**38.21**	43.64	48.13	**52.74**	36.03
Realized risk management loss	**-**	(8.20)	(1.94)	**(4.18)**	(5.92)
General and administrative	**(2.62)**	(2.55)	(3.20)	**(3.39)**	(2.57)
Interest and other	**(0.32)**	(0.71)	(0.20)	**(0.40)**	(1.30)

(1) Funds from operations, net (debt) surplus 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 February 22, 2023 and should be read in conjunction with the audited Financial Statements as at and for the year ended December 31, 2022 and 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 certain measures that do not have standardized meanings under Canadian generally accepted accounting principles ("GAAP") and forward-looking statements and readers are cautioned that the MD&A should be read in conjunction with Gear's disclosure under "Non-GAAP and Other Financial 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 32 employees with 22 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

Commodity prices for the fourth quarter of 2022 were negatively impacted by a combination of lower West Texas Intermediate ("WTI") pricing and wider Western Canadian Select ("WCS") heavy oil differentials. The lower WTI pricing is the result of persistent fears of a global economic slowdown. Interestingly, the US physical oil market is currently balanced, with US crude oil inventory excluding the US Strategic Petroleum Reserve ("SPR") remaining relatively unchanged from the end of 2021 at 418 million barrels to the end of 2022 at 421 million barrels. This was made possible through a material release of crude oil inventory from the SPR, which decreased from 594 million barrels at the end of 2021 to 372 million barrels at the end of 2022. It is highly unlikely that we will see the same 222 million barrels released from the SPR in 2022 into the physical crude market in 2023. As such, in order for the physical crude market to be balanced, additional crude oil supplies will need to be sought or demand for crude products will have to decrease through lower economic activity. In the event that additional crude oil is not supplied to the market or economic activity is not reduced, pricing mechanisms will naturally balance the physical oil market.

Wider WCS heavy oil differentials experienced during the fourth quarter were primarily due to various unexpected refinery outages such as the Whiting Refinery resulting in a surplus of heavy oil in the Gulf Coast. These refinery outages are temporary and the surplus of heavy oil in the Gulf Coast has already started to correct. Indeed, the December 2022 WCS heavy oil differential of US$29.37 per barrel has already narrowed and is currently trading at US$19 per barrel for the month of March 2023.

With minimal net debt and no oil hedges in place, Gear has positioned itself to capture higher oil prices for 2023 should they occur.

2023 GUIDANCE

Table 1

	2023 Revised Guidance	2023 Previous Guidance	2022 Guidance	2022 Actuals
Annual production (boe/d)	**6,100**	6,100	5,700 – 5,900	5,739
Q1 2023 production (boe/d)	**6,100**		6,400	n/a
Heavy oil weighting (%)	**48**	48	50	48
Light oil, medium oil and NGLs weighting (%)	**37**	37	36	37
Royalty rate (%)	**13**	13	13	13
Operating and transportation costs ($/boe)	**23.00**	23.00	23.50	24.77
General and administrative expense ($/boe)	**3.50**	3.50	3.15	3.39
Interest and other expense ($/boe)	**0.30**	0.30	0.40	0.40
Capital and abandonment expenditures ($ millions)(1)	**66**	61	62	57

(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.

In 2022, Gear underspent its capital and abandonment expenditures by approximately $5 million as a result of delayed execution on drilling, completions, and various waterflood activities. The delays were primarily driven by a shortage of service availability and to a lesser extent, the weather. These expenditures have been shifted into 2023 and, as a result, 2023 guidance on capital and abandonment expenditures has been increased from $61 million to $66 million. The execution delays on these projects will also have an impact on the first quarter 2023 production which Gear had previously guided at 6,400 boe per day. This has now been revised to 6,100 boe per day. However, Gear is still expecting to meet the original 2023 annual production guidance.

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				Year ended		
	Dec 31, 2022	Dec 31, 2021	% Change	Sep 30, 2022	**Dec 31, 2022**	Dec 31, 2021	% Change
Funds from operations per debt adjusted share (1)	**0.072**	0.063	14	0.090	**0.349**	0.189	85
Cash flows from operating activities per debt adjusted share (1)	**0.072**	0.061	18	0.104	**0.335**	0.181	85
Production, boepd per debt adjusted thousand shares (1)	**0.022**	0.021	5	0.023	**0.021**	0.020	5

(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 FOURTH QUARTER FINANCIAL AND OPERATIONAL RESULTS

Funds from Operations and Cash Flows from Operating Activities

Funds from operations increased from $17.9 million or $32.18 per boe in the fourth quarter of 2021 to $18.7 million or $35.27 per boe in the fourth quarter of 2022. The increase is the result of no realized loss on risk management contracts during the fourth quarter of 2022, higher realized prices, decreased general and administrative costs and interest and other, offset by lower production volumes and increased royalties and operating and transportation costs,

On an annual basis, funds from operations increased from $54.4 million and $26.24 per boe in 2021 to $93.8 million and $44.77 per boe in 2022. The increase on an annual basis is the result of increased revenues due to higher production volumes and higher realized prices, decreased realized loss on risk management contracts and decreased interest and other, offset by increased royalties, operating and transportation costs 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 Dec 31		Year ended Dec 31	
	$ thousands	$/boe	$ thousands	$/boe
2021 Funds from operations (1)	17,938	32.18	54,368	26.24
Volume variance	(2,010)	-	1,440	-
Price variance	1,327	2.50	56,810	27.12
Risk management contracts	4,572	8.20	3,504	1.74
Royalties	(985)	(2.29)	(10,766)	(5.07)
Expenses:				
Operating and transportation	(2,428)	(5.64)	(11,650)	(5.34)
General and administrative	34	(0.07)	(1,764)	(0.82)
Interest and other	228	0.39	1,830	0.90
2022 Funds from operations (1)	18,676	35.27	93,772	44.77

(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".

Cash flows from operating activities increased from $17.4 million or $31.25 per boe in the fourth quarter of 2021 to $18.6 million or $35.06 per boe in the fourth quarter of 2022. The increase is the result of no realized loss on risk management contracts during the fourth quarter of 2022, higher realized prices, decreased general and administrative costs and interest and other, offset by lower production volumes and increased royalties operating and transportation costs and increased decommissioning liabilities settled.

On an annual basis, cash flows from operating activities increased from $51.9 million and $25.04 per boe in 2021 to $89.8 million and $42.85 per boe in 2022. The increase on an annual basis is the result of increased revenues due to higher production volumes and higher realized prices, decreased realized loss on risk management contracts and decreased interest and other, offset by increased royalties, operating and transportation costs and general and administrative costs and increased decommissioning liabilities settled.

Net income

Gear generated net income of $27.7 million and $75.0 million for the quarter and year ended December 31, 2022 compared to a net income of $78.1 million and $80.5 million for same periods in 2021, respectively. The changes in net income are due to several factors discussed below, however the majority are due to a smaller impairment reversal recorded in the fourth quarter of 2022 compared to the fourth quarter of 2021 and the recognition of a smaller deferred income tax recovery in the fourth quarter of 2022. Year over year, Gear recorded a smaller impairment reversal for the year ended December 31, 2022 compared to the impairment reversal for the same period in 2021 and also recognized a smaller deferred income tax recovery in 2022. Net income increased from $17.8 million for the third quarter to $27.7 million for the fourth quarter of 2022 due to an impairment reversal and deferred tax asset booked in the fourth quarter, partially offset by the decrease in realized pricing and the decrease in unrealized gain on risk management contracts during the fourth quarter.

Production

Sales production volumes averaged 5,755 and 5,739 boe per day for the quarter and year ended December 31, 2022 compared to 6,059 and 5,676 boe per day for the same periods in 2021, respectively. During the quarter and year ended December 31, 2022, Gear drilled eight gross (eight net) wells and 24 gross (24 net) wells, respectively. The wells drilled came on production during the period with the exception of two light oil wells drilled in Tableland, Saskatchewan which were completed and came on stream in February 2023. Sales production volumes decreased in the fourth quarter of 2022 compared to the same period in 2021 due to the increase in well servicing in the fourth quarter of 2022, natural well declines on Gear's base production as well as extreme cold weather conditions during December 2022, leading to well freeze-ups and difficulties transporting volumes to sale points. Year over year, the increase in sales production volumes was due to the wells drilled in 2022 that came on production, partially offset by the impacts of well servicing, natural well declines and well freeze-ups.

In 2021, Gear tied into a third-party gas conservation system in Tableland, resulting in the conservation of previously flared gas. This allowed Gear to sell natural gas and natural gas liquids which contributed 220 and 165 boe per day during the quarter and year ended December 31, 2022. This gas conservation system contributed 159 boe per day in the fourth quarter of 2021 and 47 boe per day for the full year 2021. Gear's revenue associated with this incremental production will be offset by a transportation fee up until 2025, or when the total commitment is extinguished.

Sales production volumes in the fourth quarter of 2022 averaged 5,755 boe per day, consistent with 5,727 boe per day in the third quarter of 2022. Production in the quarter was relatively stable compared to the previous quarter as natural declines were offset by the production from new wells drilled.

Gear's oil inventory was relatively unchanged from the third quarter to the fourth quarter of 2022, with approximately 143 thousand barrels of oil in inventory as at December 31, 2022.

Table 4

Production	Three months ended Dec 31, 2022	Dec 31, 2021	% Change	Sep 30, 2022	Year ended Dec 31, 2022	Dec 31, 2021	% Change
Liquids (bbl/d)							
Heavy oil (bbl/d)	**2,772**	3,282	(16)	2,546	**2,760**	3,211	(14)
Light and Medium oil (bbl/d)	**1,835**	1,773	3	1,971	**1,842**	1,604	15
Natural gas liquids (bbl/d)	**299**	231	29	320	**283**	169	67
Total liquids (bbl/d)	**4,906**	5,286	(7)	4,837	**4,885**	4,984	(2)
Natural gas (mcf/d)	**5,091**	4,637	10	5,339	**5,124**	4,149	23
Total production (boe/d) (1)	**5,755**	6,059	(5)	5,727	**5,739**	5,676	1
% Liquids production	**85**	87	(2)	84	**85**	88	(3)
% Natural gas production	**15**	13	15	16	**15**	12	25

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

Petroleum and natural gas sales ("Sales")

For the quarter ended December 31, 2022, sales of crude oil, natural gas and natural gas liquids totaled $39.3 million, a two per cent decrease over $40.0 million for the same period in 2021. This decrease is mainly due to lower production volumes, partially offset by an increase in realized pricing during the fourth quarter of 2022. For the year ended December 31, 2022, sales of crude oil, natural gas and natural gas liquids totaled $187.3 million, a 45 per cent increase over $129.0 million for 2021. This increase is the result of higher production volumes and higher realized commodity prices. Quarter over quarter, sales decreased from $44.8 million to $39.3 million mainly as a result of decreased realized pricing.

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

Table 5

Sales by product ($ thousands)	Three months ended Dec 31, 2022	Dec 31, 2021	% Change	Sep 30, 2022	Year ended Dec 31, 2022	Dec 31, 2021	% Change
Heavy oil	**17,783**	22,127	(20)	20,922	**93,504**	75,075	25
Light and medium oil	**17,492**	14,519	20	19,938	**77,113**	45,369	70
Natural gas liquids	**1,608**	1,263	27	1,785	**6,547**	2,959	121
Natural gas	**2,395**	2,052	17	2,195	**10,113**	5,624	80
Total petroleum and natural gas sales	**39,278**	39,961	(2)	44,840	**187,277**	129,027	45

Commodity Prices

Table 6

Average benchmark prices	Three months ended Dec 31, 2022	Dec 31, 2021	% Change	Sep 30, 2022	Year ended Dec 31, 2022	Dec 31, 2021	% Change
WTI oil (US$/bbl) (1)	**82.65**	77.19	7	91.55	**94.23**	67.91	39
WCS heavy oil (Cdn$/bbl) (2)	**77.71**	78.81	(1)	93.59	**98.94**	68.77	44
Canadian Light Sweet (3) (Cdn$/bbl)	**110.04**	93.34	18	116.88	**120.24**	80.25	50
LSB (Cdn$/bbl) (4)	**105.99**	92.93	14	114.95	**118.15**	80.10	48
AECO natural gas ($/mcf) (5)	**5.07**	4.62	10	4.02	**5.26**	3.62	45
Cdn$ / US$ exchange rate	**1.36**	1.26	8	1.31	**1.30**	1.25	4
Gear realized prices							
Heavy oil ($/bbl)	**69.72**	73.27	(5)	89.32	**92.80**	64.05	45
Light and medium oil ($/bbl)	**103.62**	88.99	16	109.95	**114.67**	77.51	48
Natural gas liquids ($/bbl)	**58.48**	59.50	(2)	60.62	**63.38**	47.90	32
Natural gas ($/mcf)	**5.11**	4.81	6	4.47	**5.41**	3.71	46
Realized price before risk management contracts ($/boe)	**74.19**	71.69	3	85.10	**89.40**	62.28	44
Realized risk management loss ($/boe)	**-**	(8.20)	100	(1.94)	**(4.18)**	(5.92)	(29)
Realized price after risk management contracts ($/boe)	**74.19**	63.49	17	83.16	**85.22**	56.36	51

(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 fourth quarter of 2022, US denominated WTI prices increased by seven per cent over the same period in 2021, with the WCS and LSB differentials widening, and the Canadian Light Sweet differential narrowing. These pricing movements resulted in an increase in Gear's realized pricing from $71.69 per boe to $74.19 per boe.

On an annual basis WTI increased by 39 per cent from US$67.91 per barrel in 2021 to US$94.23 per barrel in 2022, 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 $62.28 per boe to $89.40 per boe.

Quarter over quarter, Gear's realized pricing decreased from $85.10 per boe to $74.19 per boe as a result of weaker WTI prices and widening WCS and LSB differentials, partially offset by the narrowing of the Canadian Light Sweet differential.

Royalties

For the quarter and year ended December 31, 2022, royalties as a percentage of commodity sales were 14.0 and 13.3 per cent, respectively, compared to 11.3 and 11.0 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.

Quarter over quarter, Gear's royalty rate decreased from 14.3 per cent to 14.0 per cent in the fourth quarter due to the decrease in commodity prices.

Table 7

Royalty expense	Three months ended				Year ended		
($ thousands except % and per boe)	**Dec 31, 2022**	Dec 31, 2021	% Change	Sep 30, 2022	**Dec 31, 2022**	Dec 31, 2021	% Change
Royalty expense	**5,504**	4,519	22	6,398	**24,899**	14,133	76
Royalty expense as a % of Sales	**14.0**	11.3	24	14.3	**13.3**	11.0	21
Royalty expense per boe	**10.40**	8.11	28	12.14	**11.89**	6.82	74

Operating and Transportation Expenses

Operating costs for the quarter and year ended December 31, 2022, were $21.55 and $21.10 per boe, respectively, compared to $16.94 and $17.13 per boe for the same periods in 2021. These increases are primarily a result of general inflationary pressures on the business. In addition, Gear incurred higher well servicing costs and carbon taxes in 2022 relative to 2021. Operating costs increased from $21.16 per boe for the previous quarter to $21.55 per boe for the fourth quarter of 2022 mainly due to higher energy costs associated with cold weather in the fourth quarter.

Transportation expenses for the quarter and year ended December 31, 2022 were $4.03 and $3.67 per boe compared to $3.00 and $2.30 per boe for the same periods in 2021 and $3.67 per boe for the previous quarter. The increases are 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 2025, or when the total commitment is extinguished.

During the quarter and year ended December 31, 2022, the gas gathering system produced 220 and 165 boe per day of natural gas and natural gas liquids, offset by $0.9 million or $1.62 per boe and $2.9 million or $1.39 per boe, respectively, of transportation fees associated with this system. During the quarter and year ended December 31, 2021, the gas gathering system produced 160 boe per day of natural gas and natural gas liquids, offset by $0.5 million or $0.82 per boe and $0.5 million or $0.22 per boe, respectively, 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 expenses for the quarter and year ended December 31, 2022 were $2.41 and $2.28 per boe compared to $2.18 and $2.08 per boe for the same periods in 2021 and $2.15 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				Year ended		
($ thousands except per boe)	**Dec 31, 2022**	Dec 31, 2021	% Change	Sep 30, 2022	**Dec 31, 2022**	Dec 31, 2021	% Change
Operating expense	**11,411**	9,445	21	11,147	**44,207**	35,498	25
Transportation expense	**2,132**	1,670	28	1,933	**7,696**	4,755	62
Operating and transportation expense	**13,543**	11,115	22	13,080	**51,903**	40,253	29
Operating expense per boe	**21.55**	16.94	27	21.16	**21.10**	17.13	23
Transportation expense per boe	**4.03**	3.00	34	3.67	**3.67**	2.30	60
Operating and transportation expense per boe	**25.58**	19.94	28	24.83	**24.77**	19.43	27

Table 9 below is a breakdown of transportation expenses:

Table 9

Transportation expenses		Three months ended				Year ended	
($ thousands except per boe)	**Dec 31, 2022**	Dec 31, 2021	% Change	Sep 30, 2022	**Dec 31, 2022**	Dec 31, 2021	% Change
Transportation - commitment	**859**	454	89	798	**2,925**	454	544
Transportation	**1,273**	1,216	5	1,135	**4,771**	4,301	11
Transportation expense	**2,132**	1,670	28	1,933	**7,696**	4,755	62
Transportation per boe - commitment	**1.62**	0.82	98	1.52	**1.39**	0.22	532
Transportation per boe	**2.41**	2.18	11	2.15	**2.28**	2.08	10
Transportation expense per boe	**4.03**	3.00	34	3.67	**3.67**	2.30	60

Operating Netbacks

For the quarter and year ended December 31, 2022, Gear's operating netback prior to risk management contracts was $38.21 and $52.74 per boe compared to $43.64 and $36.03 per boe for the same periods in 2021. This represents a decrease of 12 per cent and an increase of 46 per cent from the same periods in 2021. The decrease in operating netback in the fourth quarter of 2022 compared to the same period in 2021 was primarily the result of higher royalties and operating and transportation costs, partially offset by an increase in commodity prices. Year over year, the increase in operating netback was primarily the result of higher commodity prices, partially offset by higher royalties and operating and transportation costs. During 2022, Gear achieved its highest quarterly netback since inception as a result of increased commodity prices during the second quarter.

Quarter over quarter, Gear's operating netback decreased from $48.13 per boe to $38.21 per boe mainly as a result of decreased realized commodity prices and higher operating and transportation costs, partially offset by lower royalties.

The components of operating netbacks are summarized in Table 10:

Table 10

Operating netback(1)		Three months ended				Year ended	
($ per boe)	**Dec 31, 2022**	Dec 31, 2021	% Change	Sep 30, 2022	**Dec 31, 2022**	Dec 31, 2021	% Change
Sales	**74.19**	71.69	3	85.10	**89.40**	62.28	44
Royalties	**(10.40)**	(8.11)	28	(12.14)	**(11.89)**	(6.82)	74
Operating costs	**(21.55)**	(16.94)	27	(21.16)	**(21.10)**	(17.13)	23
Transportation costs	**(4.03)**	(3.00)	34	(3.67)	**(3.67)**	(2.30)	60
Operating netback(1)	**38.21**	43.64	(12)	48.13	**52.74**	36.03	46

(1) Operating netback is a non-GAAP ratio and is described under the heading "Non-GAAP and Other Financial Measures" below. Operating netback does not have a standardized meaning under GAAP and therefore may not be comparable to similar measures presented by other entities.

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

G&A expenses for the quarter and year ended December 31, 2022 totaled $1.4 million and $7.1 million, compared to $1.4 million and $5.3 million for the same periods in 2021. G&A expenses were flat in the fourth quarter of 2022 compared to the same period in 2021. Year over year, G&A expenses increased mainly due to performance bonuses as well as compensation adjustments in the second half of 2022. For the quarter and year ended December 31, 2022, Gear capitalized $0.3 million and $1.8 million of G&A compared to $0.3 million and $1.2 million for the same periods in 2021. The increase in capitalized G&A year over year is mainly a result of the performance bonus declared during 2022 as well as increased drilling activities during the period. For the quarter and year ended December 31, 2022, G&A on a per boe basis was $2.62 and $3.39 per boe compared to $2.55 and $2.57 per boe for the same periods in 2021.

The decrease in G&A expenses in the fourth quarter of 2022 compared to the previous quarter was due to compensation changes during the third quarter associated with a one-time minor restructuring. Gear capitalized $0.3 million in G&A for fourth quarter of 2022, consistent with the third quarter of 2022. G&A on a per boe basis was $2.62 per boe during the fourth quarter of 2022 compared to $3.20 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				Year ended	
($ thousands except per boe)	**Dec 31, 2022**	Dec 31, 2021	% Change	Sep 30, 2022	**Dec 31, 2022**	Dec 31, 2021	% Change
G&A, before recoveries and capitalized G&A	**1,804**	1,810	-	2,089	**9,217**	6,825	35
Overhead recoveries	**(82)**	(75)	9	(96)	**(338)**	(283)	19
Capitalized G&A	**(334)**	(313)	7	(305)	**(1,783)**	(1,210)	47
G&A	**1,388**	1,422	(2)	1,688	**7,096**	5,332	33
SBC expense	**320**	167	92	324	**1,055**	498	112
G&A per boe	**2.62**	2.55	3	3.20	**3.39**	2.57	32
SBC expense per boe	**0.60**	0.30	100	0.61	**0.50**	0.24	108

SBC is related to the granting of stock options. During the year ended December 31, 2022, there were 8.6 million options granted at an average price of $1.38 per share. In addition, 1.8 million options were forfeited at an average exercise price of $0.81 per share and 6.7 million options were exercised at an average exercise price of $0.48 per share. As at December 31, 2022 a total of 16.9 million options with a weighted average exercise price of $0.99 per share were outstanding, representing approximately 6.5 per cent of the 260.7 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 Audited Consolidated Financial Statements. At the date of this MD&A, Gear had a total of 16.8 million options outstanding at a weighted average exercise price of $0.99 per share

Interest and Other

Interest and other totaled $0.2 million and $0.8 million for the quarter and year ended December 31, 2022 compared to $0.4 million and $2.7 million in the same periods of 2021 and $0.1 million in the previous quarter. Gear's interest rate on its Credit Facilities (as defined below) 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 quarter and year ended December 31, 2022. Looking forward, Gear anticipates minor interest and financing charges as it maintains minimal debt.

Table 12 is a breakdown of interest and other:

Table 12

Interest and other		Three months ended				Year ended	
($ thousands except per boe)	**Dec 31, 2022**	Dec 31, 2021	% Change	Sep 30, 2022	**Dec 31, 2022**	Dec 31, 2021	% Change
Interest expense	**60**	334	(82)	124	**630**	2,212	(72)
Financing charges	**37**	33	12	36	**154**	230	(33)
Standby fees	**79**	28	182	80	**249**	130	92
Realized (gain) loss on foreign exchange	**(9)**	-	(100)	(131)	**(193)**	98	(297)
Interest and other	**167**	395	(58)	109	**840**	2,670	(69)
Interest and other per boe	**0.32**	0.71	(55)	0.20	**0.40**	1.30	(69)

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 has been authorized by its Board of Directors to hedge up to certain levels as specified by the credit agreement. With low debt levels, Gear has reassessed its balance sheet risk and has reduced hedging levels for 2023 with only a single natural gas swap contract in place and no risk management contracts for oil at this time. Gear will continue to evaluate its risk and the management thereof if its debt levels change and will continue to monitor the commodities market for future risk management contracts. Such an evaluation may result in changes to risk management activity in the future.

For the quarter and year ended December 31, 2022, Gear realized losses on risk management contracts of $nil and $8.8 million compared to realized losses $4.6 million and $12.3 million for the same periods in 2021 and $1.0 million for the previous quarter. The fair value of all outstanding contracts at December 31, 2022 was an asset of $1.1 million.

Table 13 summarizes Gear's financial risk management contracts as at December 31, 2022:

Table 13

Financial AECO natural gas contracts					
Term		**Contract**	**Currency**	**Volume GJ/d**	**Sold Swap $/GJ**
Jan 1, 2023	Dec 31, 2023	Swap	CAD	3,600	4.50

Impairment and Depletion, Depreciation and Amortization Expense ("DD&A")
DD&A during the fourth quarter of 2022 was 18.25 per boe, a four per cent increase compared to $17.48 per boe for the same period in 2021. For the year ended December 31, 2022, the DD&A rate increased four per cent over the same period in 2021. These increases in the DD&A rate is mainly the result of the impact of the impairment reversal at December 31, 2021 which increased Gear's depletable base as well as an increase to Gear's finding and development costs. Depletion is recorded net of government spending. For the quarter and year ended December 31, 2022, the government provided Gear $0.5 million and $1.2 million towards extinguishing decommissioning liabilities, as compared to $0.6 million and $3.0 million for the same periods in 2021. Quarter over quarter, DD&A increased from $17.08 per boe in the previous quarter to $18.25 per boe as a result of an increase in Gear's depletable base due to increased finding and development costs.

As at December 31, 2022, indicators of an impairment reversal were identified on Gear's cash-generating unit ("CGU") #3, which includes Gear's Tableland assets, as a result of the increase in commodity prices since the last impairment test performed as at December 31, 2021. An impairment test was carried out at December 31, 2022 on CGU #3. The estimated recoverable amounts incorporated the net present value of the after-tax cash flows from proved plus probable crude oil and natural gas reserves of CGU #3 based on reserves estimated by Gear's independent reserves evaluator at December 31, 2022. In 2021, as a result of the increase in commodity prices and Gear's market capitalization, Gear had identified indicators of impairment reversal on each of Gear's CGUs at December 31,2021. As at December 31, 2022, the estimated recoverable amount for CGU #3 was based on a fair value less cost of disposal calculation using a discount rate based on an estimated industry weighted average cost of capital of 12 per cent. 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 each of Gear's CGUs.

As a result of the impairment test performed at December 31, 2022, the recoverable amount of CGU #3 exceeded its carrying value, and a $10.0 million impairment reversal, net of depletion was recorded in the Consolidated Statements of Income and Comprehensive Income. At December 31, 2021, Gear recorded an impairment reversal, net of depletion of $33.7 million on Gear's three CGUs. For additional information see Note 6 "Property, Plant and Equipment and Impairment" in the notes to the Audited Consolidated Financial Statements. As future commodity prices remain volatile, impairment charges or recoveries could be recorded in future periods.

As at December 31, 2022 and December 31, 2021, Gear recorded oil inventory valued at its production cost. No impairments on inventory were recorded in 2022 and 2021. For additional information see Note 5 "Inventory" in the notes to the Audited Consolidated Financial Statements.

Table 14 is a breakdown of DD&A expenses and impairment:

Table 14

DD&A rate	Three months ended				Year ended		
($ thousands except per boe)	**Dec 31, 2022**	Dec 31, 2021	% Change	Sep 30, 2022	**Dec 31, 2022**	Dec 31, 2021	% Change
DD&A	**9,663**	9,745	(1)	8,997	**37,370**	35,423	5
Total DD&A rate per boe	**18.25**	17.48	4	17.08	**17.84**	17.10	4
Impairment reversal	**(10,023)**	(33,675)	(70)	-	**(10,023)**	(33,675)	(70)

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 December 31, 2022, a deferred tax asset in the amount of $41.1 million was recognized, and $58.3 million remains unrecognized, as Management did not find it probable that the benefit will be realized. As at December 31, 2021, Management did not recognize a deferred tax asset of $83.2 million. Included in this tax basis are estimated non-capital loss carry forwards that expire in the years 2027 through 2042. For the year ended December 31, 2022, Gear recognized a deferred income tax recovery of $8.2 million compared to a deferred income tax recovery of $32.9 million for the same period in 2021. No cash income taxes were paid in 2022 and 2021.

A breakdown of estimated tax pools is shown in Table 15:

Table 15

($ thousands)	**December 31, 2022**	December 31, 2021
Canadian oil and gas property expenses	**116,504**	128,576
Canadian development expenses	**163,314**	186,650
Canadian exploration expenses	**28,419**	28,186
Undepreciated capital cost	**52,096**	61,791
Non-capital losses	**270,262**	262,301
Other	**14**	20
Estimated realizable tax pools, federal and provincial	**630,609**	667,524

Capital Expenditures, Acquisitions and Dispositions
Capital expenditures for the quarter and year ended December 31, 2022 were $18.9 million and $50.5 million, compared to $4.9 million and $28.9 million in the same periods in 2021 and $14.9 million in the previous quarter. During the fourth quarter of 2022, Gear drilled eight gross (eight net) wells: two multi-lateral heavy oil wells in Wildmere, Alberta, four horizontal multistage fractured medium oil wells in Killam, Alberta and two light oil multistage fractured wells in Tableland, Saskatchewan. The two Tableland wells were completed in the first quarter of 2023. During the fourth quarter, Gear has also begun investing in a heavy oil waterflood expansion in Maidstone, Saskatchewan. Due to the timing and availability of services, continuation of the waterflood expansion in Maidstone, Saskatchewan as well as the initiation of waterfloods in Tableland, Saskatchewan and Provost, Alberta carried over into the first quarter of 2023.

During the year ended December 31, 2022, Gear drilled 24 gross (24 net) wells including three exploratory heavy oil wells in Swimming, Alberta, Maidstone, Saskatchewan and Celtic, Saskatchewan, six multi-lateral medium oil wells in Provost, Alberta, one water source well for expanded waterflooding in Killam, Alberta, one light oil well in Tableland, Saskatchewan, three multi-lateral heavy oil wells in Wildmere, Alberta, and two heavy oil wells in Lindbergh, Alberta in addition to the wells drilled in the fourth quarter.

A breakdown of capital expenditures is shown in Table 16:

Table 16

Capital expenditures	Three months ended				Year ended		
($ thousands)	**Dec 31, 2022**	Dec 31, 2021	% Change	Sep 30, 2022	**Dec 31, 2022**	Dec 31, 2021	% Change
Drilling and completions	**14,064**	2,279	517	11,535	**38,194**	19,316	98
Production equipment and facilities	**4,248**	2,496	70	3,292	**10,986**	9,100	21
Geological and geophysical	**145**	25	480	(7)	**232**	91	155
Undeveloped land	**399**	90	343	28	**945**	289	227
Other	**43**	46	(7)	24	**192**	88	118
Total capital expenditures	**18,899**	4,936	283	14,872	**50,549**	28,884	75

In 2022, Gear submitted an application to the Alberta Energy Regulator (“AER”) to transfer certain non-core Alberta heavy oil assets. Gear will not be proceeding forward with this due to AER transfer restrictions.

Decommissioning Liability
At December 31, 2022, Gear recorded a decommissioning liability of $71.4 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 3.28 per cent (1.76 per cent at December 31, 2021). Some of the decommissioning 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 year ended December 31, 2022 were $6.3 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 fourth quarter of 2022, as a result of combined efforts of both Gear and the SRP, the combined $1.9 million of decommissioning expenditures allowed Gear to cut and cap 24 gross (24 net) wells and downhole abandon 11 gross (9 net) wells in Alberta and cut and cap 12 gross (12 net) wells and downhole abandon 13 gross (13 net) wells in Saskatchewan.

During the year ended December 31, 2022, as a result of combined efforts of both Gear and the SRP, the combined $7.5 million of decommissioning expenditures allowed Gear to cut and cap 146 gross (141 net) wells and downhole abandon

135 gross (128 net) wells in Alberta and cut and cap 15 gross (15 net) wells and downhole abandon 34 gross (32 net) wells in Saskatchewan.

Gear's SRP spending per Provincial jurisdiction during the year ended December 31, 2022 included $0.4 million in Alberta and $0.8 million in Saskatchewan. As at December 31, 2022, the remaining $0.3 million SRP balance consists of $0.2 million in Alberta and $0.1 million in Saskatchewan.

Capitalization, Financial Resources and Liquidity
A breakdown of Gear's capital structure is outlined in Table 17:

Table 17

Debt ($ thousands except ratio amounts)	**Dec 31, 2022**	Dec 31, 2021
Net debt [1]	**(2,220)**	(15,830)
Net debt to funds from operations [1]	**0.0**	0.3
Net debt to quarterly annualized funds from operations [1]	**0.0**	0.2
Common shares outstanding	**260,693**	260,169

(1) Net debt, net debt to 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 of 2022 and continues to maintain minimal net debt. Minimal net debt 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 year ended December 31, 2022. At times, Gear will incur debt as a result of the timing of capital expenditures.

Credit Facilities
In November 2022, Gear completed its semi-annual borrowing base redetermination with no changes to its credit facilities (the "Credit Facilities").

Table 18 shows a breakdown of Gear's Credit Facilities:

Table 18

Facility	**Borrowing base**		**Maturity Date**
($ millions)	**Dec 31, 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	

At December 31, 2022 Gear had $7.1 million 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). At December 31, 2022 and December 31, 2021, Gear's debt was classified as long term. The Credit Facilities do not carry any financial covenants.

The total stamping fees on the operating facility and revolving facility range, 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 operating facility and revolving facility 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. The next borrowing base review is expected to be completed on or about May 31, 2023.

Convertible Debentures
Prior to the second quarter of 2021, Gear had 7.0% subordinated unsecured convertible debentures (the "Convertible Debentures") outstanding. During the second quarter of 2021, $13.2 million of the Convertible Debentures were converted into 41.2 million common shares. As a result, at December 31, 2022 and December 31, 2021, no Convertible Debentures were outstanding.

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 quarter ended December 31, 2022 and does not expect to repurchase any more shares for the duration of the NCIB program as it dedicates funds to both its dividend and its capital program. For the year ended December 31, 2022, 3.6 million common shares were repurchased at an average cost of $1.45 per share.

As at December 31, 2022 and the date of this MD&A, Gear had 260.7 million common shares outstanding. The increase since December 31, 2021, was due to stock option exercises, partially offset by share repurchases. At December 31, 2021, Gear had 260.2 million common shares outstanding.

Table 19 shows Gear's trading statistics:

Table 19

Trading statistics	Three months ended			Year ended	
($ based on intra-day trading)	**Dec 31, 2022**	Dec 31, 2021	Sep 30, 2022	**Dec 31, 2022**	Dec 31, 2021
High	**1.45**	1.09	1.40	**1.94**	1.09
Low	**0.99**	0.76	0.98	**0.90**	0.25
Close	**1.13**	0.92	1.14	**1.13**	0.92
Average daily volume (thousands)	**3,149**	2,887	2,972	**4,063**	2,349

As at December 31, 2022, a total of 16.9 million options were outstanding with a weighted average exercise price of $0.99 per share and each option entitled the holder to acquire one Gear common share. At the date of this MD&A, Gear had a total of 16.8 million options outstanding at a weighted average exercise price of $0.99 per share. Subsequent to December 31, 2022, $0.1 million options were exercised.

Dividends

Table 20 shows a breakdown of Gear's Dividends:

Table 20

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
October 3, 2022	October 17, 2022	October 31, 2022	0.01	2,597
November 1, 2022	November 15, 2022	November 30, 2022	0.01	2,597
December 1, 2022	December 15, 2022	December 30, 2022	0.01	2,601
Total				$ 18,156

Subsequent to period end, on January 3, 2023, 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 January 16, 2023. The dividend was paid January 31, 2023.

Subsequent to period end, on February 1, 2023, 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 February 15, 2023. The dividend payment date is scheduled for February 28, 2023.

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. The forecast for 2023 is to abandon over 120 wells. Through the course of 2022, Gear abandoned over six times as many wells as drilled over the same period. During the quarter, Gear cut and capped 24 gross (24 net) wells and downhole abandoned 11 gross (9 net) wells in Alberta and cut and capped 12 gross (12 net) wells and downhole abandoned 13 gross (13 net) wells in Saskatchewan. During the year ended December 31, 2022, Gear cut and capped 146 gross (141 net) wells and downhole abandoned 135 gross (128 net) wells in Alberta, and cut and capped 15 gross (15 net) wells and downhole abandoned 34 gross (32 net) 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 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 December 31, 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 $48 thousand. 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 December 31, 2022, Gear will pay an escalated transportation fee until 2025, 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 $0.8 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 17 "Commitments and Contingencies" in the notes to the Audited 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 or results of operations.

Related Party Transactions
Other than the payment of compensation to key management personnel, the Corporation has not entered into any related party transactions. For further information see Note 18 "Related Party Transactions" in the notes to the Audited Consolidated Financial Statements.

Non-GAAP and Other Financial 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 years ended December 31, 2022 and 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, if the Company chooses to do so.

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

Table 21

	Three months ended			Year ended	
($ thousands)	**Dec 31, 2022**	Dec 31, 2021	Sep 30, 2022	**Dec 31, 2022**	Dec 31, 2021
Cash flows from operating activities	**18,565**	17,421	26,196	**89,769**	51,881
Decommissioning liabilities settled (1)	**1,417**	1,000	2,859	**6,288**	1,619
Change in non-cash operating working capital	**(1,306)**	(483)	(6,511)	**(2,285)**	868
Funds from operations	**18,676**	17,938	22,544	**93,772**	54,368

(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, if the Company chooses to do so.

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, if the Company chooses to do so.

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, if the Company chooses to do so.

Net (debt) surplus
Net (debt) surplus is a capital management measure defined as debt less current working capital items (excluding debt, risk management contracts and decommissioning liabilities). Gear believes net (debt) surplus provides management and investors with a measure that is a key indicator of its leverage and strength of its balance sheet. Changes in net (debt) surplus are primarily a result of funds from operations, capital and abandonment expenditures, equity issuances, dividends paid and equity repurchases pursuant to the NCIB, if the Company chooses to do so.

Table 23 below reconciles debt to net debt:

Table 23

Capital structure and liquidity ($ thousands)	**Dec 31, 2022**	Dec 31, 2021
Debt	**(7,123)**	(26,355)
Working capital surplus (1)	**4,903**	10,525
Net debt	**(2,220)**	(15,830)

(1) Excludes risk management contracts and decommissioning liabilities.

At December 31, 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 believes it will 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 funds from operations
Net debt to 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 year. 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 annual results. When the Company is in a net surplus position, the Company's net debt to funds from operations is not applicable.

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 applicable.

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. 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 the Company's bank debt, or Gear has the ability to repurchase shares when in a net surplus position. 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 24 below reconciles weighted average basic shares to debt adjusted shares:

Table 24

(thousands, except per share amounts)	Three months ended **Dec 31, 2022**	Dec 31, 2021	Sep 30, 2022	Year ended **Dec 31, 2022**	Dec 31, 2021
Weighted average basic shares	**259,908**	259,360	258,385	**259,791**	248,665
Average share price (1)	**1.06**	0.89	1.14	**1.06**	0.89
Average net surplus (debt) (2)	**2,370**	(21,845)	8,367	**(9,025)**	(34,347)
Share equivalent on average net surplus (debt) (3)	**(2,236)**	24,545	(7,339)	**8,514**	38,592
Debt adjusted shares	**257,672**	283,905	251,046	**268,305**	287,257

(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 quarters and years 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, if the Company chooses to do so.

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, if the Company chooses to do so.

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 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, 2022.

Risk Factors
The Gear management team is focused on long-term strategic planning and has identified the key risks, uncertainties and opportunities associated with Gear’s business that can impact the financial results. They include, but are not limited to, the items listed below. In addition to the risks identified below please see the risks outlined in Gear’s most recent annual information form which is available on SEDAR at www.sedar.com.

Prices, Markets and Marketing
Gear’s operational results and financial condition, and therefore the amount of capital expenditures, are dependent on the prices received for oil, natural gas and natural gas liquids (“NGLs”) production. Prices for oil, natural gas and NGLs are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil, natural gas and NGLs, market uncertainty and a variety of additional factors beyond the control of the Company. A material decline in prices could result in a reduction of net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil, natural gas or NGLs and a reduction in the volumes of Gear’s reserves. Management might also elect not to produce from certain wells at lower prices as it did in 2020.

Gear’s ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines or rail cars that deliver oil and natural gas to commercial markets. Deliverability uncertainties related to the distance that Gear’s reserves are to pipelines, processing and storage facilities, operational problems affecting pipelines and facilities as well as government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business may also affect the Company.

These factors could result in a material decrease in Gear’s expected net production revenue and a reduction in its oil and natural gas acquisition, development and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Company’s carrying value of its assets and its borrowing capacity, revenues, profitability and funds from operations. To offset these risks, Gear may enter into various risk management contracts for 2023 which allows for downside protection on WTI yet still allows for participation in WTI price appreciation with the use of wide collars and bought put contracts.

Inflation and Cost Management
Gear's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. Gear's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

The cost or availability of oil and gas field equipment may adversely affect the Corporation's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to the Corporation's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Corporation's financial performance and cash flows.

Operational Matters
Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees. Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, and spills or other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment and personal injury. As is standard industry practice, Gear is not fully insured against all risks, nor are all risks insurable. Although Gear maintains liability insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event, the Company could incur significant costs.

Refinancing
Gear currently has $42 million in Credit Facilities with a revolving maturity date of May 25, 2024. The lenders review the Credit Facilities at a minimum twice a year (also known as a redetermination) to review primarily the amount available under the Credit Facilities (also known as the borrowing base) and to also decide if they will extend the revolving facilities for another year. In the event that the Credit Facilities are not extended, indebtedness under the Credit Facilities will become

repayable at May 25, 2024 (or a year after the end of the revolving period). More immediate, however, is the risk that lenders redetermine a borrowing base below the amount that Gear has already drawn on its Credit Facilities (a "borrowing base shortfall"). Such a borrowing base shortfall must be eliminated within 30 days. If Gear is unable to eliminate the borrowing base shortfall, the lenders may demand immediate repayment of all amounts borrowed under the Credit Facilities. Any of these events could affect Gear's ability to fund ongoing operations. The next scheduled review is on or about May 31, 2023.

Reserve Estimates
The reserves and recovery information contained in Gear's independent reserves evaluation is only an estimate. The actual production and ultimate reserves from the properties may be greater or less than the estimates prepared by the independent reserves evaluator. The reserves report was prepared using certain commodity price assumptions. If lower prices for crude oil, natural gas and NGLs are realized by Gear and substituted for the price assumptions utilized in those reserves reports, the present value of estimated future net cash flows as well as the amount of the reserves would be reduced and the reduction could be significant.

Acquisitions
The price paid for acquisitions is based on engineering and economic estimates of the potential reserves made by independent engineers modified to reflect the technical views of management. These assessments include a number of material assumptions regarding such factors as recoverability and marketability of oil, natural gas, and NGLs, future prices of oil, natural gas and NGLs, and operating costs, future capital expenditures and royalties and other government levies that will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of management. In particular, changes in the prices of and markets for oil, natural gas and NGLs from those anticipated at the time of making such assessments will affect the value of Gear's shares. In addition, all such estimates involve a measure of geological and engineering uncertainty that could result in lower production and reserves. Actual reserves could vary materially from these estimates.

Royalty Regimes
There can be no assurance that the federal government and the provincial governments of the western provinces will not adopt new royalty regimes or modify the existing royalty regimes which may have an impact on the economics of the Company's projects. An increase in royalties would reduce Gear's earnings and could make future capital investments, or operations, less economic.

Variations in Foreign Exchange Rates and Interest Rates
The majority of world commodity prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar negatively affects production revenues. Future Canadian/United States exchange rates could accordingly affect the future value of reserves as determined by independent evaluators.

An increase in interest rates could result in a significant increase in the amount Gear pays to service debt, resulting in a reduced amount available to fund its exploration and development activities.

Third Party Credit Risk
Gear assumes customer credit risk associated with oil and gas sales, financial risk management contracts and joint venture participants. In the event that Gear's counterparties default on payments to Gear, cash flows will be impacted. A diversified customer base is maintained and exposure to individual entities is reviewed on a regular basis.

Environmental
All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Although Gear believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on Gear's business, financial condition, results of operations and prospects.

Project Risks
Gear manages a variety of small and large projects. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. Gear's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Company's control, including:

- commodity prices and oil differentials;
- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing, or Gear's ability to dispose of water used or removed from strata at a reasonable cost and within applicable environmental regulations;

- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, Gear could be unable to execute projects on time, on budget, or at all, and may be unable to market the oil and natural gas that the Company produces.

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.

The Chief Executive Officer and the Chief Financial Officer of Gear evaluated the effectiveness of the design and operation of the Company's DC&P. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Gear's DC&P were effective as at December 31, 2022.

Internal Controls 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 December 31, 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").

Under the supervision of the Chief Executive Officer and the Chief Financial Officer, Gear conducted an evaluation of the effectiveness of the Company's ICFR as at December 31, 2022 based on the COSO Framework. Based on this evaluation, the officers concluded that as of December 31, 2022, Gear maintained effective ICFR. It should be noted that while Gear's officers believe that the Company's controls provide a reasonable level of assurance with regard to their effectiveness, they do not expect that the DC&P and ICFR will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met.

There were no changes in Gear's ICFR during the three months ended December 31, 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; the expected of various factors on commodity prices and differentials; the expectation that Gear has positioned itself to capture higher oil prices for 2023 should they occur; 2023 guidance including expected first quarter and 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; expected details of Gear's capital expenditure plan in the first quarter and for the full year in 2023; Gear's intended hedging strategy for 2023; Gear's expectations of being able to utilize its tax pools; Gear's estimate of its decommissioning liabilities; Gear's expected abandonment and reclamation plans for 2023; Gear's plans and expectations with respect to reducing methane and other emissions; Gear's expectations with respect to the effect that various environmental regulations may have on its operations; the expectation of Gear's financial commitments under contractual commitments; the Company's belief that it will have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months; and Gear's expectation that current 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; 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; inability to obtain debt or equity financing as necessary to fund operations, capital expenditures and any potential acquisitions; any ability for Gear to repay any of its indebtedness when due; 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 impacts of wars and conflicts (including the Russian and Ukrainian war), pandemics (including the continuing impact of the COVID-19 pandemic), political events, natural disasters and terrorism; 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 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			
(Cdn$ thousands, except per share, share, and per boe amounts)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
FINANCIAL								
Petroleum and natural gas sales	39,278	44,840	57,635	45,524	39,961	35,189	29,651	24,226
Funds from operations (1)	18,676	22,544	33,770	18,782	17,938	15,955	12,222	8,253
Per weighted average basic share	0.07	0.09	0.13	0.07	0.07	0.06	0.05	0.04
Per weighted average diluted share	0.07	0.09	0.13	0.07	0.07	0.06	0.05	0.04
Cash flows from operating activities	18,565	26,196	29,668	15,340	17,421	9,601	14,967	9,892
Per weighted average basic share	0.07	0.10	0.11	0.06	0.07	0.04	0.06	0.04
Per weighted average diluted share	0.07	0.10	0.11	0.06	0.07	0.04	0.06	0.04
Net income (loss)	27,695	17,750	23,309	6,227	78,117	6,608	(730)	(3,497)
Per weighted average basic share	0.11	0.07	0.09	0.02	0.30	0.03	0.00	(0.02)
Per weighted average diluted share	0.10	0.07	0.09	0.02	0.29	0.03	0.00	(0.02)
Capital expenditures	18,899	14,872	8,091	8,687	4,936	10,256	5,809	7,883
Decommissioning liabilities settled - Gear	1,417	2,859	1,100	912	1,000	40	183	396
Decommissioning liabilities settled - Government (2)	532	433	250	-	566	904	511	1,041
Net (debt) surplus (1)	(2,220)	6,959	9,775	(6,706)	(15,830)	(27,860)	(33,418)	(42,929)
Dividends declared and paid	7,795	7,751	2,610	-	-	-	-	-
Dividends declared and paid per share	0.03	0.03	0.01	-	-	-	-	-
Weighted average shares outstanding, basic (thousands)	259,908	258,385	260,561	260,331	259,360	258,274	247,415	221,090
Weighted average shares outstanding, diluted (thousands)	263,774	263,585	268,353	269,016	265,460	263,719	247,415	221,090
Shares outstanding, end of period (thousands)	260,693	259,367	258,173	260,759	260,169	259,107	258,103	247,415
OPERATING								
Production								
Heavy oil (bbl/d)	2,772	2,546	2,686	3,043	3,282	3,325	3,207	3,026
Light and medium oil (bbl/d)	1,835	1,971	1,980	1,580	1,773	1,656	1,469	1,513
Natural gas liquids (bbl/d)	299	320	243	269	231	176	148	121
Natural gas (mcf/d)	5,091	5,339	5,205	4,855	4,637	4,215	3,694	4,043
Total (boe/d)	5,755	5,727	5,777	5,701	6,059	5,859	5,440	5,335
Average prices								
Heavy oil ($/bbl)	69.72	89.32	116.74	95.91	73.27	67.86	62.14	51.58
Light and medium oil ($/bbl)	103.62	109.95	133.18	110.32	88.99	80.49	74.72	63.16
Natural gas liquids ($/bbl)	58.48	60.62	72.59	63.88	59.50	47.48	34.40	42.61
Natural gas ($/mcf)	5.11	4.47	7.38	4.64	4.81	3.62	3.15	3.05
Selected financial results ($/boe)								
Petroleum and natural gas sales	74.19	85.10	109.63	88.73	71.69	65.29	59.90	50.46
Royalties	(10.40)	(12.14)	(15.56)	(9.38)	(8.11)	(7.50)	(6.64)	(4.77)
Operating costs	(21.55)	(21.16)	(21.86)	(19.80)	(16.94)	(17.44)	(16.66)	(17.51)
Transportation costs	(4.03)	(3.67)	(3.56)	(3.43)	(3.00)	(2.04)	(2.06)	(2.01)
Operating netback (1)	38.21	48.13	68.65	56.12	43.64	38.31	34.54	26.17
Realized risk management loss	-	(1.94)	(0.96)	(14.11)	(8.20)	(5.13)	(5.55)	(4.55)
General and administrative	(2.62)	(3.20)	(2.94)	(4.83)	(2.55)	(2.70)	(2.66)	(2.37)
Interest and other	(0.32)	(0.20)	(0.51)	(0.57)	(0.71)	(0.88)	(1.64)	(2.06)

(1) Funds from operations, net (debt) surplus 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.

SELECTED ANNUAL INFORMATION

(Cdn$ thousands, except per share, share, and per boe amounts)	2022	2021	2020
FINANCIAL			
Petroleum and natural gas sales	187,277	129,027	65,057
Funds from operations (1)	93,772	54,368	33,429
Per weighted average basic share	0.36	0.22	0.15
Per weighted average diluted share	0.35	0.22	0.15
Cash flows from operating activities	89,769	51,881	30,217
Per weighted average basic share	0.35	0.21	0.14
Per weighted average diluted share	0.34	0.21	0.14
Net income (loss)	74,981	80,498	(77,324)
Per weighted average basic share	0.29	0.32	(0.36)
Per weighted average diluted share	0.28	0.32	(0.36)
Capital expenditures	50,549	28,884	12,441
Decommissioning liabilities settled - Gear	6,288	1,619	920
Decommissioning liabilities settled - Government (2)	1,215	3,022	585
Net debt (1)	(2,220)	(15,830)	(52,864)
Dividends declared and paid	18,156	-	-
Dividends declared and paid per share	0.07	-	-
Weighted average shares outstanding, basic (thousands)	259,791	248,665	216,545
Weighted average shares outstanding, diluted (thousands)	264,213	263,009	216,545
Shares outstanding, end of year (thousands)	260,693	260,169	216,490
OPERATING			
Production			
Heavy oil (bbl/d)	2,760	3,211	2,985
Light and medium oil (bbl/d)	1,842	1,604	1,507
Natural gas liquids (bbl/d)	283	169	169
Natural gas (mcf/d)	5,124	4,149	3,825
Total (boe/d)	5,739	5,676	5,298
Average prices			
Heavy oil ($/bbl)	92.80	64.05	32.64
Light and medium oil ($/bbl)	114.67	77.51	45.41
Natural gas liquids ($/bbl)	63.38	47.90	19.56
Natural gas ($/mcf)	5.41	3.71	2.24
Selected financial results ($/boe)			
Petroleum and natural gas sales	89.40	62.28	33.55
Royalties	(11.89)	(6.82)	(3.51)
Operating costs	(21.10)	(17.13)	(14.80)
Transportation costs	(3.67)	(2.30)	(2.20)
Operating netback (1)	52.74	36.03	13.04
Realized risk management (loss) gain	(4.18)	(5.92)	8.85
General and administrative	(3.39)	(2.57)	(2.67)
Interest and other	(0.40)	(1.30)	(1.98)

(1) Funds from operations, net 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.

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