

Extractive Sector Transparency Measures Act - Annual Report

Reporting Entity Name

Gear Energy Ltd.

Reporting Year

From

2022-01-01

To:

2022-12-31

Date submitted

2023-02-15

Reporting Entity ESTMA Identification Number

E549730

Original Submission

Amended Report

Other Subsidiaries Included

(optional field)

Not Consolidated

Not Substituted

Attestation by Reporting Entity

In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Full Name of Director or Officer of Reporting Entity

David Hwang

Date

2023-02-15

Position Title

VP Finance, CFO

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Reporting Entity Name	Gear Energy Ltd.		
Reporting Entity ESTMA Identification Number	E549730		
Subsidiary Reporting Entities (if necessary)			

Payments by Payee

Country	Payee Name	Departments, Agency, etc... within Payee that Received Payments	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes
Canada -Alberta	Government of Alberta			8,866,000	1,484,000					10,350,000	Royalties include \$7,093,000 in payments made in-kind which are valued at the fair market value of the volumes taken in-kind, based on Gear's realized price. Alberta Petroleum Marketing Commission, Alberta Energy Regulator, Minister of Finance, Department of Energy
Canada -Alberta	Vermilion River County No. 24		950,000							950,000	
Canada -Alberta	Ponoka County		247,000							247,000	
Canada -Alberta	Flagstaff County		183,000							183,000	
Canada -Saskatchewan	Government of Saskatchewan		1,233,000	7,902,000	268,000					9,403,000	Taxes include payments to Saskatchewan Ministry of Finance for the Capital Surcharge. Saskatchewan Ministry of Agriculture and Finance.
Canada -Saskatchewan	Rural Municipality of Cambria No. 6		367,000							367,000	
Canada -Saskatchewan	Rural Municipality of Frenchman Butte No. 501		468,000							468,000	

Additional Notes:

Financial Reporting Framework

a) Basis of accounting:
The Schedule of Payments by Payee and the Schedule of Payments by Project (collectively, the "Schedules") prepared by Gear Energy Ltd. (the "Company") for the year ended December 31, 2021 have been prepared in accordance with the financial reporting provisions in Section 9 of the Extractive Sector Transparency Measures Act, Section 2.3 of the Extractive Sector Transparency Measures Act – Technical Reporting Specifications and Sections 3.1 to 3.6 of the Extractive Sector Transparency Measures Act – Guidance (collectively the "financial reporting framework").
The Schedules are prepared to provide information to the Directors of Gear Energy Ltd. and the Minister of Natural Resources Canada to assist in meeting the requirements of the Extractive Sector Transparency Measures Act. As a result, the Schedules may not be suitable for another purpose.

b) Significant accounting policies:

i) Cash basis
The Schedules have been prepared using the cash basis of accounting, as required by the financial reporting framework, and therefore exclude any accruals related to payments due to governments. The Schedules include all cash payments made, without inclusion of cash inflows from a government. Where the Company makes a payment to a government that is net of credits from that government, the net payment amount has been presented.

ii) Projects
The Company has aligned its projects with the provinces that it operates in.

iii) Operator
The Company has reported all payments made by it, on its own behalf and in its role as operator, directly to the government on a 'gross' basis. Amounts paid by third party operators on the Company's behalf have not been included in the Schedules as they are reported in the third party operators' ESTMA filings.

iv) Take in kind payments
In-kind payments are converted to an equivalent cash value based on the fair market value of the volumes taken in-kind, based on Gear's realized sales price. The Company has valued all in-kind payments included in the Schedules using calculations that are consistent with those made for financial reporting purposes under IFRS.

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Reporting Entity ESTMA Identification Number	E549730		
Subsidiary Reporting Entities (if necessary)			

Payments by Project

Country	Project Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes
Canada -Alberta	Alberta	1,380,000	8,866,000	1,484,000					11,730,000	Royalties include \$2,227,000 in payments made in-kind which are valued at the fair market value of the volumes taken in-kind, based on Gear's realized price.
Canada -Saskatchewan	Saskatchewan	2,068,000	7,902,000	268,000					10,238,000	Taxes include payments to Saskatchewan Ministry of Finance for the Capital Surcharge.

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