March 20, 2023
Vol. 10 Issue 2

Monthly Update

FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

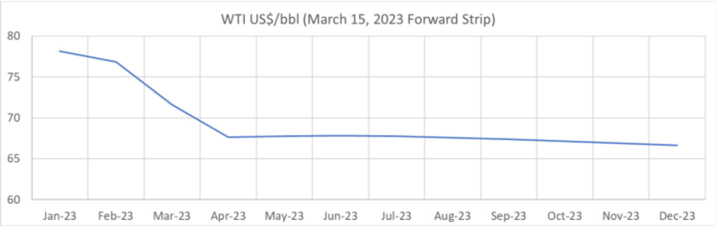
Gear is pleased to provide the following key operational and financial information for investors:

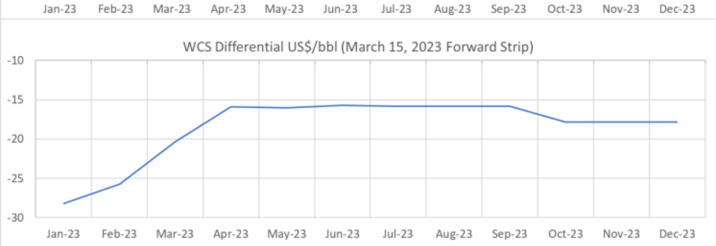
	Q1 22	Q2 22	Q3 22	Dec-22	Q4 22	2022	Jan-23	Feb-23	Q1 23 TD	2023 TD
WTI Benchmark Price ($US/bbl)	94.29	108.41	91.55	76.52	82.65	94.23	78.16	76.86	77.51	77.51
WCS Heavy Oil Differential ($US/bbl)	(14.53)	(12.80)	(19.89)	(29.37)	(25.42)	(18.16)	(28.21)	(25.70)	(26.96)	(26.96)
MSW Light Oil Differential (US$/bbl)	(2.96)	(0.50)	(2.05)	(1.37)	(1.61)	(1.78)	(3.07)	(3.81)	(3.44)	(3.44)
Funds from Operations ($MM)	18.8	33.8	22.5	4.6	18.7	93.8	3.8	4.5	8.3	8.3
Capital and Abandonment Expenditures ($MM)	9.6	9.2	17.7	6.3	20.3	56.8	10.0	6.4	16.4	16.4
Net Surplus (Debt) ($MM)	(6.7)	9.8	7.0	(2.2)	(2.2)	(2.2)	(11.0)	(15.5)	(15.5)	(15.5)
Production (boe/d)	5,701	5,777	5,727	5,673	5,755	5,739	5,705	6,164	5,923	5,923

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

The team at Gear have successfully invested almost $23 million of capital over the last three months and the good news is that it is starting to show up in the sales volumes. This increase in production should assist in offsetting some of the recent decrease in oil prices.

In just over a week, WTI oil prices have dropped from a daily trade of almost US$81 per barrel to the mid US$60 per barrel range. When originally planning for this letter a couple of weeks ago, the intention was to highlight the positive improvement in the outlook for WCS heavy oil differentials. And although, that is still a nice improvement from earlier this year, the recent drop in WTI has dampened that positive impact. Dampened for the time being at least, because as we all know, often these things change faster than you can truly digest the movements.





The potential question this price weakness may raise for investors in Gear is, "what does this mean in relation to 2023 plans?"

To try and provide quick clarity during such a volatile time is difficult. But rest assured, the Gear team are monitoring the markets very closely and will communicate any material changes to 2023 plans if and when they are decided. In the meantime, perhaps some discussion of the business fundamentals will provide some perspective.

A key point of discussion is regarding capital investment levels. As had always been planned, the fourth quarter of 2022 and the first quarter of 2023 were intended to be intensive periods of investment in the business. For the first two months of 2023, Gear has invested $16.4 million. However, from March to June 2023, capital investment is expected to be significantly lower as we enter into spring break-up, which severely restricts our access in the field.

More importantly, I want to remind our shareholders that as much as Gear has no control over commodity prices, we have full control over our capital investment deployment. Gear's capital investment objective is not to achieve a certain production target. It is solely to ensure that every dollar we invest generates a return far greater than the dollar invested. In light of pricing volatility and cost inflation, Gear will be taking a hard look at its original 2023 capital plans and if necessary, adjust its assumptions to maximize expected returns.

Gear is always ready to adapt its capital programs and its returns to shareholders based on changes in commodity prices and other changes in market conditions to ensure a healthy balance sheet.

After some very tough times through the oil price crash and volatility that started in late 2014, maintenance of a strong balance sheet has been a key priority at Gear, and it will remain that way. Consistent with this, with net debt of $15.5 million at the end of February, Gear is tracking at a monthly annualized net debt to funds from operations ratio of 0.3 times, a healthy number that the majority of our public peers are likely envious of.

In aggregate, what does this all mean….? Essentially, Gear will monitor all facets of the business and take whatever steps necessary to ensure that we deploy capital appropriately, provide competitive returns to shareholders and maintain a strong balance sheet. We will watch the market over the next few weeks and decide if anything in our current business plan needs to be changed to accomplish these key goals.

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

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

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