Gear Energy Ltd. Announces First Quarter 2022 Operating Results, Zero Net Debt, the Implementation of a Variable Dividend Plan, the Filing of a Normal Course Issuer Bid, and an Expanded 2022 Capital Program

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Calgary, May 4, 2022 - Gear Energy Ltd. ("Gear" or the "Company") (TSX: GXE) is pleased to provide the following first quarter operating update to shareholders. Gear's Interim Condensed Consolidated Financial Statements and related Management's Discussion and Analysis ("MD&A") for the period ended March 31, 2022 are available for review on Gear's website at www.gearenergy.com and on www.sedar.com.

	Three months ended		
(Cdn$ thousands, except per share, share and per boe amounts)	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
FINANCIAL			
Funds from operations (1)	18,782	8,253	17,938
Per boe	36.61	17.19	32.18
Per weighted average basic share	0.07	0.04	0.07
Cash flows from operating activities	15,340	9,892	17,421
Per boe	29.90	20.60	31.25
Net income (loss)	6,227	(3,497)	78,117
Per weighted average basic share	0.02	(0.02)	0.30
Capital expenditures	8,687	7,883	4,936
Decommissioning liabilities settled (2)	912	1,437	1,566
Free funds from (used in) operations (1)	9,183	(26)	12,002
Net debt (1)	6,706	42,929	15,830
Weighted average shares, basic (thousands)	260,331	221,090	259,360
Shares outstanding, end of period (thousands)	260,759	247,415	260,169
OPERATING			
Production			
Heavy oil (bbl/d)	3,043	3,026	3,282
Light and medium oil (bbl/d)	1,580	1,513	1,773
Natural gas liquids (bbl/d)	269	121	231
Natural gas (mcf/d)	4,855	4,043	4,637
Total (boe/d)	5,701	5,335	6,059
Average prices			
Heavy oil ($/bbl)	95.91	51.58	73.27
Light and medium oil ($/bbl)	110.32	63.16	88.99
Natural gas liquids ($/bbl)	63.88	42.61	59.50
Natural gas ($/mcf)	4.64	3.05	4.81
Netback ($/boe)			
Petroleum and natural gas sales	88.73	50.46	71.69
Royalties	(9.38)	(4.77)	(8.11)
Operating costs	(19.80)	(17.51)	(16.94)
Transportation costs	(3.43)	(2.01)	(3.00)
Operating netback (1)	56.12	26.17	43.64
Realized risk management loss	(14.11)	(4.55)	(8.20)
General and administrative	(4.83)	(2.37)	(2.55)
Interest and other	(0.57)	(2.06)	(0.71)

TRADING STATISTICS ($ based on intra-day trading)			
High	1.94	0.64	1.09
Low	0.90	0.25	0.76
Close	1.60	0.50	0.92
Average daily volume (thousands)	4,859	1,307	2,887

(1) Funds from operations, free funds from operations, net debt 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 this press release.
(2) Decommissioning liabilities settled includes expenditures made by both Gear and the federal government's Site Rehabilitation Program.

MESSAGE TO SHAREHOLDERS

Gear successfully achieved its target of zero net debt at the end of April 2022, the first strategic step towards enhanced shareholder returns. Within approximately two years, Gear has eliminated over $80 million of net debt through a combination of 84 per cent free funds from operations and 16 per cent equity issuances. Now that this milestone has been accomplished, maintaining an exceptional balance sheet will continue to be a priority for the foreseeable future. Coincident with this achievement and as promised, Gear is pleased to provide clarity on the next steps in the plan for enhanced returns to shareholders.

Effective immediately, Gear will be implementing a variable quarterly dividend with target distributions of approximately 30 per cent of the free funds from operations generated from the previous quarter. For May, the inaugural quarterly dividend payment in relation to the free funds from operations generated through the first quarter of 2022 will be $0.01 per share. Gear believes this to be a unique and superior dividend strategy that will expose shareholders to the strength of the underlying business and commodity price upside, while minimizing any potential future risk of volatility to the balance sheet.

The remaining approximately 70 per cent of free funds from operations for the previous quarter is expected to be dedicated to a combination of share buybacks, growth capital, cash funded acquisitions, and special dividends. Share buybacks will be subject to certain strategic net asset value and debt adjusted trading multiple thresholds and are expected to commence in May with the formalization of an approved Normal Course Issuer Bid ("NCIB").

In parallel with these plans for immediate returns, Gear is also increasing the planned capital and abandonment expenditures for 2022 from $40 million to $55 million, targeting production and reserves growth from Gear's deep inventory of undeveloped opportunities into 2023 through a combination of incremental drilling in the fourth quarter of 2022 and expanded strategic waterflood investments.

QUARTERLY HIGHLIGHTS

- Funds from operations ("FFO") for the first quarter of 2022 was $18.8 million, an increase of 128 per cent from the first quarter of 2021 as a result of significantly higher commodity prices. First quarter 2022 FFO was negatively impacted by $7.2 million in realized hedging losses. Prior to these hedging costs, 2022 FFO would have been $26.0 million. For the second quarter of 2022, Gear is anticipating minimal hedging losses as no WTI oil calls have been sold.

- Record high field netback of $56.12 per boe for the first quarter of 2022. The previous highest field netback was in the third quarter of 2013 with a field netback of $46.97 per boe.

- Production for the first quarter of 2022 was 5,701 boe per day, a seven per cent increase over the 5,335 boe per day reported in the first quarter of 2021 and a six per cent decrease from the fourth quarter of 2021 of 6,059 boe per day. Production decreased from the fourth quarter of 2021 as a result of extreme cold weather challenges in January, shut-in production in Provost to accommodate the first quarter drilling program, and normal declines as a result of minimal fourth quarter 2021 drilling activity. Production is set to incline throughout 2022 as production from new wells come online, with peak production from the new expanded 2022 capital program expected in the first quarter of 2023.

- Drilled six successful gross (6 net) unlined multi-lateral medium oil wells in Provost, Alberta. The six wells commenced production in April and continue to be optimized, producing a total of 435 boe per day in April and currently producing 545 boe per day.

- Reduced net debt by $36.2 million from the first quarter of 2021 to $6.7 million at the end of the first quarter of 2022. In April 2022, Gear finalized its spring redetermination with its lenders and extended the maturity date to May 2024 for its credit facilities with minimal restrictions. Gear's banking syndicate is now comprised of ATB and Business Development Bank of Canada, with the Export Development Bank of Canada ("EDC") graciously exiting its lending syndicate in order to facilitate Gear's return of capital plan to shareholders. Gear would like to thank EDC for its support over the last two years.

INAUGURAL QUARTERLY CASH DIVIDEND

- Gear's board of directors has approved the initiation of a quarterly variable cash dividend program with an initial dividend of $0.01 per common share. The dividend will be paid on May 30, 2022 to shareholders of record as of the close of business on May 16, 2022. The dividend is designated as an "eligible dividend" for income tax purposes. This dividend represents approximately 30 per cent of the free funds from operations generated in the first quarter of 2022. Gear intends to pay approximately 30 per cent of its free funds from operations each quarter to its shareholders, with the actual dividend amount being dependent on a combination of commodity prices, capital and abandonment expenditures inclusive of cash funded acquisitions, and Gear's operational and financial performance. Gear anticipates announcing future quarterly variable cash dividends in conjunction with its quarterly financial releases.

- Going forward, Gear expects to dedicate the remaining approximately 70 per cent of its free funds from operations to share buybacks, capital investments, cash funded acquisitions, and special dividends.

- Using forward market pricing as of May 3, 2022 (remaining 2022 WTI of US$98 per barrel, WCS differential of US$13 per barrel, MSW and LSB differentials of US$2.75 per barrel, FX of US$0.78 per C$, AECO of $6.75 per GJ, and current share count), Gear is forecasting the following:

($ millions except % and per share)	Q1 2022 Actual	Q2 2022	Q3 2022	Q4 2022
Forecasted FFO	18.8	33	31	31
Forecasted capital and abandonment expenditures	9.6	12	18	15
Forecasted free FFO	9.2	21	13	16
Forecasted dividend amounts	2.6	6	4	5
Committed % of free FFO paid out as a dividend (%)	28	30	30	30
Forecasted variable dividend ($/share)	0.01	0.026	0.015	0.019

NCIB

- Gear believes that, from time to time, the market price of its common shares may not fully reflect the underlying value of the common shares, using certain strategic net asset value and debt adjusted trading multiple thresholds, and at such times the purchase of common shares would be in the best interests of Gear. As a result of such purchases, the number of issued common shares will be decreased and, consequently, the proportionate share interest of all remaining Gear shareholders will be increased on a pro rata basis.

- In furtherance of its objective to complete share buybacks, Gear is pleased to announce that the Toronto Stock Exchange ("TSX") has granted approval for Gear to commence an NCIB. Under the NCIB, Gear may purchase for cancellation up to 24,029,161 common shares of Gear, representing approximately 10% of the "public float", which is equal to the issued and outstanding common shares as at May 4, 2022 (260,950,535 Shares) less the common shares held by directors and officers of Gear. The total number of common shares that Gear is permitted to purchase is subject to a daily purchase limit of 551,916 Shares, representing 25% of the average daily trading volume of 2,207,667 common shares on the TSX calculated for the six-month period ended April 30, 2022; however, Gear may make one block purchase per calendar week which exceeds the daily repurchase restrictions.

- The NCIB is expected to commence on May 9, 2022 and will terminate on the earlier of: (i) the date on which Gear has acquired all common shares sought pursuant to the NCIB; or (ii) May 8, 2023 unless terminated earlier at the option of Gear, upon prior notice being given to the TSX. The common shares will be purchased on behalf of Gear by a registered broker through the facilities of the TSX and through other alternative Canadian trading platforms at the prevailing market price at the time of such transaction.

- Gear will ensure, under both the quarterly variable cash dividend program and the NCIB, that it maintains its pristine balance sheet and will continue to target zero net debt. As such, restrictions placed by Gear's current credit facilities are not expected to be a factor. The actual ultimate number of common shares purchased under the NCIB, the timing of the purchases, and the price at which the common shares are acquired will depend upon future market conditions.

2022 EXPANDED CAPITAL PROGRAM AND REVISED GUIDANCE

- As a result of significantly improved commodity prices, Gear intends to increase the planned 2022 capital and abandonment expenditure investment from $40 million to $55 million. The incremental expenditures are scheduled for late into 2022 and, as a result, will have no impact to 2022 annual production but will have positive impacts to first quarter 2023 production and the base for a 2023 capital program. Forecasted annual production growth remains at approximately three to four per cent however, production growth from the first quarter of 2022 to the first quarter of 2023 is expected to be closer to seven or eight per cent.

- The breakdown of the $15 million increase in capital and abandonment expenditures is as follows:

($ millions)	
Five additional wells drilled	7
Inflationary cost pressures	4
Waterflood expansions	2
Field projects, land, seismic and other	2
Total	15

- The capital budget now includes plans to drill a total of 24 gross (24 net) oil wells with four additional heavy oil wells and one medium oil well to now be drilled in the fourth quarter of 2022. These wells are expected to provide competitive returns as well as ensuring that Gear's primary drilling rig remains active through to the end of the year. Due to recent inflationary pressures, per well cost estimates for the 2022 program have increased by seven to 10 per cent.

- Gear expects to spend a total of $5 million in waterflood investments for 2022, an increase of $2 million from previous plans. In addition to the current plans for flood expansions and implementations in Provost, Killam and Wilson Creek, these new investments will target additional opportunities in Wilson Creek as well as a new pilot in Tableland. Waterflood investments are forecast to provide competitive economic long-term returns, extend the corporate reserves life and reduce the future corporate decline rate.

- As a result of actual costs experienced since the original 2022 budget was released in November 2021, Gear adjusted its guidance. Operating and transportation costs estimates have been increased to $23.50 per boe as a result several factors. Over $1 per boe of increased revenue associated with recent high gas prices for the third-party gas contract in Tableland needs to be offset by an equivalent increase in transportation costs. The remaining operating and transportation cost increases are a result of carbon taxes, fuel surcharges, greenhouse gas emissions reduction costs, and general inflationary pressures largely related to the recent increase in oil and gas prices. Minor adjustments to royalty, interest and general and administrative ("G&A") costs are expected to be slightly lower than previous estimates. In aggregate, the total 2022 costs (operating, transportation, royalties, G&A and interest) are estimated to be a record low 40 per cent of forecasted revenue at current strip prices resulting in a record high estimated operating margin of 60 per cent.

- Updated Guidance for 2022 is as follows:

	2022 Revised Guidance	2022 Previous Guidance	Q1 2022 YTD Actuals
Annual production (boe/d)	5,900 - 6,000	5,900 - 6,000	5,701
Heavy oil weighting (%)	51	49	53
Light oil, medium oil and NGLs weighting (%)	36	38	32
Royalty rate (%)	12	13	11
Operating and transportation costs ($/boe)	23.50	19.50	23.23
General and administrative expense ($/boe)	3.15	3.35	4.83
Interest expense ($/boe)	0.40	0.25	0.60
Capital and abandonment expenditures ($ millions)	55	40	10

- Under various WTI price scenarios from May to December 2022 and assuming 2022 Revised Guidance above, WCS differential of US$13 per barrel, MSW and LSB differentials of US$2.75 per barrel, FX of US$0.78 per C$, and AECO of $6.75 per GJ, Gear is forecasting the following FFO:

($ millions)	Q2 2022	Q3 2022	Q4 2022	FY 2022
WTI US$80/bbl	26	23	24	91
WTI US$90/bbl	29	28	29	105
WTI US$100/bbl	32	31	34	116
WTI US$110/bbl	36	33	38	125

Forward-looking Information and Statements

This press release 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 press release contains forward-looking information and statements pertaining to the following: the maintenance of an exceptional balance sheet will be a priority for the foreseeable future; the implementation of a variable quarterly dividend that will distribute approximately 30 per cent of free funds from operations; the usage of 70 per cent of free funds from operations to be dedicated to share buybacks, growth capital, and potential acquisitions; share buybacks to commence in May 2022; minimal hedging losses for the second quarter of 2022; production set to incline throughout 2022 as production from new wells comes online with peak production to be realized in the first quarter of 2023; future dividends to be dependent on commodity prices, capital and abandonment expenditures inclusive of cash funded acquisitions and Gear's operational and financial performance; future quarterly variable cash dividends announced in conjunction with Gear's quarterly financial releases; the forecast of quarterly 2022 funds from operations, quarterly 2022 capital and abandonment expenditures, quarterly 2022 free funds from operations, quarterly 2022 dividend amounts, and quarterly 2022 dividends per share; planned increased 2022 capital and abandonment expenditures positively impacting first quarter 2023 production and the base for 2023; the forecasted annual production growth of three to four per cent and the estimate of production growth from the first quarter of 2022 to the first quarter of 2023 at seven or eight per cent; the plans to drill 24 gross (24 net) oil wells in 2022 with 5 additional wells to be drilled in the fourth quarter of 2022; added wells to provide superior economic returns and that Gear's primary drilling rig remains active through to the end of 2022; per well cost estimates; and the expectation that Gear will spend a total of $5 million in waterflood investments for 2022 in the Provost, Killam, Wilson Creek and Tableland areas; that waterflood investments will provide competitive economic long-term returns, extend corporate reserves life and reduce Gear's decline rate into 2023; and Gear's revised 2022 guidance including expected 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.

The forward-looking information and statements contained in this press release 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 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 press release 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: the continuing impact of the COVID-19 pandemic; changes in commodity prices; changes in the demand for or supply of Gear's products; the impacts of the Russian-Ukraine war on the global economy and commodity prices; 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; the impacts of inflation and supply chain issues; 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 impact of competitors; and certain other risks detailed from time to time in Gear's public documents including in Gear's most current annual information form which is available on SEDAR at www.sedar.com.

The amount of future cash dividends paid by Gear, if any, will be subject to the discretion of the Board of Directors of Gear and may vary depending on a variety of factors and conditions existing from time to time, including, among other things, funds from operations, fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements and debt levels, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. Depending on these and various other factors, many of which will be beyond the control of the Company, the dividend policy of the Company from time to time and, as a result, future cash dividends may not be paid or if paid could at a later date be reduced or suspended entirely.

The forward-looking information and statements contained in this press release speak only as of the date of this press release, 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.

Non-GAAP and Other Financial Measures

This press release includes references to non-GAAP and other financial measures that Gear uses to analyze financial performance. These specified financial measures include non-GAAP financial measures, non-GAAP ratios, 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 quarter ended March 31, 2022 and year ended December 31, 2021, where applicable, is 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 and decommissioning liabilities and repay debt. The following is a reconciliation of funds from operations from cash flows from operating activities.

Reconciliation of cash flows from operating activities to funds from operations:

	Three months ended		
($ thousands)	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
Cash flows from operating activities	15,340	9,892	17,421
Decommissioning liabilities settled (1)	912	396	1,000
Change in non-cash operating working capital	2,530	(2,035)	(483)
Funds from operations	18,782	8,253	17,938

(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 and settle decommissioning liabilities and repay debt.

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 and settle decommissioning liabilities and repay debt.

Free Funds from Operations

Free funds from operations is a non-GAAP financial measure defined as cash flows from operating activities, adjusted for the net change in non-cash operating working capital, less capital expenditures and net acquisitions funded by funds from operations. Gear evaluates its financial performance on free funds from operations and considers it a key measure for management and investors as it demonstrates the Company's ability to generate the cash flow necessary to fund its capital program and decommissioning liabilities and repay debt.

Reconciliation of cash flows from operating activities to free funds from operations:

	Three months ended		
($ thousands)	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
Cash flows from operating activities	15,340	9,892	17,421
Change in non-cash operating working capital	2,530	(2,035)	(483)
Capital expenditures	(8,687)	(7,883)	(4,936)
Free funds from (used in) operations	9,183	(26)	12,002

Net Debt

Net debt is a capital management measure defined as debt plus amounts outstanding under subordinated convertible debentures ("Convertible Debentures") less current working capital items (excluding debt, Convertible Debentures, risk management contracts and decommissioning liabilities). Gear believes net debt 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 are primarily a result of funds from operations, capital and abandonment expenditures and equity issuances.

Reconciliation of debt to net debt:

Capital Structure and Liquidity ($ thousands)	Mar 31, 2022	Dec 31, 2021
Debt	20,029	26,355
Working capital (surplus) (1)	(13,323)	(10,525)
Net debt	6,706	15,830

(1) Excludes risk management contracts, debt, Convertible Debentures and decommissioning liabilities.

Net Debt to Trailing Twelve-Month Funds from Operations

Net debt to trailing twelve-month 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 most recent trailing twelve-month period. 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 trailing twelve-month results.

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.

Debt Adjusted Shares

Debt adjusted shares is a non-GAAP financial measure calculated as the weighted average shares plus the share equivalent on Gear's average net debt, as defined and reconciled to debt above, over the period, assuming that net debt were to be extinguished with a share issuance based on a certain share price; however, it should be noted that Gear's bank debt is not convertible into shares and, although Gear's Convertible Debentures were convertible into shares, the calculation of debt adjusted shares was not based on the conversion of the Convertible Debentures in accordance with the terms of such Convertible Debentures. 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 both the Company's bank debt and the Convertible Debentures. The Convertible Debentures are assumed to be extinguished in the per debt adjusted share calculations. 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. 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.

Reconciliation of weighted average basic shares to debt adjusted shares:

	Three months ended		
(thousands, except per share amounts)	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
Weighted average basic shares	260,331	221,090	259,360
Average share price (1)	1.61	0.51	0.89
Average net debt (2)	11,268	47,897	21,845
Share equivalent on average net debt (3)	6,999	93,916	24,545
Debt adjusted shares	267,330	315,006	283,905

(1) Average share price obtained by a ten-day volume weighted average price ending at the end of the period.
(2) Average net debt obtained by a simple average between opening and ending net debt for the three months ended.
(3) Share equivalent on average net debt obtained by average net debt divided by average share price.

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.

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 do 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.

Initial Production Rates

Any references in this document to initial production (or IP) rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for Gear.

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