Monthly Update

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FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

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

	Q2 22	Q3 22	Q4 22	2022	Feb-23	Mar-23	Q1 23	Apr-23	2023 TD
WTI Benchmark Price ($US/bbl)	108.41	91.55	82.65	94.23	76.86	73.37	76.13	79.44	76.96
WCS Heavy Oil Differential ($US/bbl)	(12.80)	(19.89)	(25.42)	(18.16)	(25.70)	(20.38)	(24.76)	(15.96)	(22.56)
MSW Light Oil Differential (US$/bbl)	(0.50)	(2.05)	(1.61)	(1.78)	(3.81)	(1.71)	(2.86)	(1.29)	(2.47)
Funds from Operations ($MM)	33.8	22.5	18.7	93.8	4.5	4.7	13.0	6.9	19.9
Capital and Abandonment Expenditures ($MM)	9.2	17.7	20.3	56.8	6.4	2.1	18.4	1.4	19.8
Net Surplus (Debt) ($MM)	9.8	7.0	(2.2)	(2.2)	(15.5)	(15.3)	(15.3)	(12.4)	(12.4)
Production (boe/d)	5,777	5,727	5,755	5,739	6,164	6,009	5,952	6,011	5,967

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

Gear's estimated April funds from operations increased by a healthy 47 per cent from March. The increase month over month was supported by stable volumes and an approximate 7 per cent improvement in per unit costs. However, the main difference was the increase in top-line revenue. The most material improvement of all the price streams was a 22 per cent narrowing of the WCS heavy oil differential.

While we are no experts when it comes to predicting commodity prices, we do our best to pay close attention to market trends. When it comes to future heavy oil differentials, we currently like what we are seeing. In fact, recent daily spot WCS differentials have traded into the mid US$12/bbl range. That is a number we have not seen for over a year, and the forward market for 2024 is approximately US$14/bbl. Notwithstanding where WTI prices may end up, if WCS differentials compress by another 20 per cent or more from April's WCS differential of US$15.96/bbl, that will bode well for future monthly funds from operations at Gear.

So, what are some of the key data points we are tracking? And why is it that heavy oil prices have pretty much consistently improved through 2023 since blowing out to almost a US$30/bbl discount last December?

- In early April, OPEC+ announced a surprise cut to oil production of 1.2 million bbl/d, bringing total announced cuts to 3.7 million bbl/d. Historically, OPEC production curtailments tend to dominantly impact their heavy sour supply, so these cuts tend to support WCS differential stability and/or compression.

- The latest update on the Canadian Trans Mountain pipeline expansion project is indicating that line fill could occur as early as Q4 2023 with the pipeline flowing an additional 590,000 bbl/d by early 2024. This dominantly heavy oil focused pipeline should bring much needed optionality for Canadian producers and again should assist in long term WCS price strength due to increased market access.

- By the end of 2023, there is forecast to be over 2 million bbl/d of new refining capacity coming on line in Asia, Latin America and the Middle East, and the bulk of this equipment is being tooled for a supply of medium and heavy sour crude.

- The US government has again indicated that they may seek to refill some of the Strategic Petroleum Reserve later in the year "after completing required maintenance on the facilities". As most of the barrels withdrawn from the reserve were heavy barrels, it seems that refilling with similar barrels should have a positive impact on WCS differentials as well.

- Another potential influence is Russia stating that it intends to curtail 500,000 bbl/d of production from March to December of 2023 in response to Western restrictions. To date it has been difficult to confirm if this curtailment is actually occurring. However, the statements have been made, and again, their dominant supply is a heavy barrel similar to the WCS quality.

While this list is certainly not exhaustive, we think it covers some of the most material influences on WCS pricing in the near term. Each of the items historically could be considered quite material on their own. It is hard to imagine what the impacts might be if some combination of these factors actually comes to fruition.

However, fundamentally we are still only talking about the discount to the WTI price, not the WTI price on its own. These days, trying to form an opinion on where WTI might go seems near impossible. The same headlines about pending recessions and Chinese demand that are used to justify a price decrease one day, are then used to explain an increase the next day.

Simplistically, the encouraging theme here is that this list of factors imply a potential for strong heavy oil prices for the foreseeable future and with approximately 50 per cent of Gear's production being heavy oil based, we would describe ourselves as cautiously optimistic about participating in that future.

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.