GEAR ENERGY

NEWS RELEASE

GEAR ENERGY LTD. ANNOUNCES SECOND QUARTER 2023 OPERATING RESULTS AND AUGUST MONTHLY DIVIDEND OF $0.005 PER SHARE

CALGARY, ALBERTA (July 26, 2023) Gear Energy Ltd. ("Gear" or the "Company") (TSX:GXE) (OTCQX:GENGF) is pleased to provide the following second quarter operating results to shareholders. Gear's Interim Consolidated Financial Statements and related Management's Discussion and Analysis ("MD&A") for the period ended June 30, 2023 are available for review on Gear's website at www.gearenergy.com and on www.sedar.com.

	Three months ended			Six months ended	
(Cdn$ thousands, except per share, share and per boe amounts)	**Jun 30, 2023**	Jun 30, 2022	Mar 31, 2023	**Jun 30, 2023**	Jun 30, 2022
FINANCIAL					
Funds from operations (1)	**17,108**	33,770	13,012	**30,120**	52,552
Per boe	**32.74**	64.24	24.29	**28.47**	50.59
Per weighted average basic share	**0.07**	0.13	0.05	**0.12**	0.20
Cash flows from operating activities	**13,311**	29,668	14,933	**28,244**	45,008
Per boe	**25.47**	56.43	27.88	**26.69**	43.33
Per weighted average basic share	**0.05**	0.11	0.06	**0.11**	0.17
Net income	**5,550**	23,309	1,990	**7,540**	29,536
Per weighted average basic share	**0.02**	0.09	0.01	**0.03**	0.11
Capital expenditures	**7,370**	8,091	17,992	**25,362**	16,778
Decommissioning liabilities settled- Gear	**912**	1,100	441	**1,353**	2,012
Decommissioning liabilities settled- Government (2)	**-**	250	37	**37**	250
Net (debt) surplus (1)	**(14,322)**	9,775	(15,276)	**(14,322)**	9,775
Dividends declared and paid	**7,849**	2,610	7,826	**15,675**	2,610
Dividends declared and paid per share	**0.03**	0.01	0.03	**0.06**	0.01
Weighted average shares, basic (thousands)	**261,629**	260,561	260,693	**261,249**	260,447
Shares outstanding, end of period (thousands)	**262,115**	258,173	261,212	**262,115**	258,173
OPERATING					
Production					
Heavy oil (bbl/d)	**2,698**	2,686	2,734	**2,716**	2,863
Light and medium oil (bbl/d)	**1,955**	1,980	2,045	**2,000**	1,781
Natural gas liquids (bbl/d)	**279**	243	292	**285**	256
Natural gas (mcf/d)	**4,860**	5,205	5,287	**5,072**	5,031
Total (boe/d)	**5,742**	5,777	5,952	**5,846**	5,739
Average prices					
Heavy oil ($/bbl)	**73.92**	116.74	56.80	**65.35**	105.73
Light and medium oil ($/bbl)	**89.63**	133.18	91.68	**90.67**	123.10
Natural gas liquids ($/bbl)	**40.74**	72.59	50.69	**45.80**	68.03
Natural gas ($/mcf)	**2.22**	7.38	3.13	**2.69**	6.06
Netback ($/boe)					
Petroleum and natural gas sales	**69.10**	109.63	62.86	**65.94**	99.31
Royalties	**(8.20)**	(15.56)	(7.64)	**(7.91)**	(12.51)
Operating costs	**(21.54)**	(21.86)	(22.45)	**(22.00)**	(20.84)
Transportation costs	**(3.75)**	(3.56)	(4.25)	**(4.01)**	(3.50)
Operating netback (1)	**35.61**	68.65	28.52	**32.02**	62.46
Realized risk management gain (loss)	**1.37**	(0.96)	0.87	**1.12**	(7.46)
General and administrative	**(3.12)**	(2.94)	(4.36)	**(3.75)**	(3.87)
Interest and other	**(1.12)**	(0.51)	(0.74)	**(0.92)**	(0.54)

(1) 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 by the federal government's Site Rehabilitation Program, which ended during the first half of 2023.

MESSAGE TO SHAREHOLDERS

Gear is pleased to announce a strong second quarter, with funds from operations increasing over 30 per cent from the prior quarter as a result of improved pricing and reduced costs. The second quarter was a relatively quiet one from a drilling perspective with only one well being drilled through the quarter. While the second quarter is typically a low activity time due to spring breakup, Gear strategically reduced activity early and re-started late while focusing efforts on realigning costs to the realities of the current commodity price environment. In addition, there was substantial progress made through the quarter in expanding our future drilling inventory through incremental land and seismic purchases.

With the release of a new optimized 2023 budget, a recalibration of the future dividend, and activity now moving full steam ahead in the field, Gear is set up to exit the year with a stable production foundation, strong cash flow generation capability, a continued commitment to return value to shareholders, a solid inventory of future opportunities, and a strong balance sheet.

QUARTERLY HIGHLIGHTS

- Production for the second quarter of 2023 was 5,742 boe per day, a one per cent decrease over the 5,777 boe per day reported in the second quarter of 2022. Second quarter production was four percent lower than the first quarter of 2023 due to a temporary third-party gas plant turnaround in Central Alberta which has now been completed and as the result of natural declines. Additionally, Gear continues to experience some minor constraints with third party gas take-away in Killam, Alberta which has restricted the amount of oil production in that area.

- Funds from operations for the second quarter of 2023 were $17.1 million, an increase of 31 per cent from the first quarter of 2023 as a result of higher commodity prices and lower transportation, operating, and general and administrative costs. Although WTI pricing fell from US$76.13 per barrel in the first quarter of 2023 to US$73.78 per barrel in the second quarter of 2023, WCS heavy oil differentials improved significantly, narrowing from US$24.76 per barrel to US$15.06 per barrel. Finally, heavy oil pricing was further positively impacted due to lower diluent blending costs, all of which resulted in a 30 per cent higher realized heavy oil price for Gear.

- A total of $7.4 million of capital was invested through the second quarter including the drilling of one multi-lateral heavy oil well in Wildmere, Alberta. The well was rig released in early July and has recently been put on production. Additionally, during the second quarter of 2023, $1.7 million was invested in land and seismic, $0.8 million was invested in waterflood advancements and the remainder was split between workovers, recompletions, facility improvements and other corporate costs.

- For the first six months of 2023, Gear invested $2.4 million in undeveloped land and seismic on two exciting new heavy oil prospects. The first prospect is a 7.5 section contiguous block of oilsands rights with up to six stacked Mannville pay zones which has the potential to contain large undeveloped oil in place. These reservoirs will ideally be targeted with unlined multi-lateral development, taking advantage of Gear’s long history of expertise with these operations. The second prospect is a two-section block offsetting successful lower Mannville production from peers in west central Saskatchewan which also has future multi-lateral unlined drilling potential. Initial development of these new prospects is forecast to begin in early to mid 2024.

- Gear continues to dedicate significant effort towards expanding its inventory of future drilling opportunities. There are currently over 20 identified exploration targets, primarily in heavy oil, that are being prioritized for de-risking and future development. If successful, a number of these opportunities have the potential scale to become new high impact core areas which could prove valuable. The optimized 2023 budget includes plans to target two of these new prospects by drilling four Upper Mannville horizontal wells in the second half of 2023 that could prove up substantial drillable inventory for 2024 and beyond.

- In 2021, Gear entered into a 10-year transportation commitment with a third-party that set-up a gas conservation system in Southeast Saskatchewan where Gear was previously flaring. In exchange for the infrastructure, the third-party was to take all associated net revenue from the conserved natural gas and natural gas liquids until a certain payout was achieved. In the second quarter of 2023, Gear fulfilled its commitment, more than eight years earlier than originally anticipated as a result of higher volumes and higher valued natural gas and natural gas liquids. Going forward, Gear will see a decrease in its transportation expense starting in the third quarter of 2023.

- Net debt to quarterly annualized funds from operations was 0.2 times, with net debt falling slightly from $15.3 million on March 31, 2023 to $14.3 million on June 30, 2023.

REVISED 2023 GUIDANCE

Gear has strategically reduced its planned 2023 capital expenditures by an additional $8 million to $50 million. The new budget is designed to target an improved balance between high return drilling, inventory expansion, a refined list of waterflood opportunities and other non-discretionary expenses. Additionally, this budget better aligns Gear's anticipated funds from operations and returns to shareholders to the current environment while still maintaining a strong balance sheet.

The modified budget includes 14 gross (13.6 net) wells across all three core areas including; one medium oil well in Provost, Alberta (successfully drilled in the first quarter), two heavy oil wells in Hoosier, Saskatchewan (successfully drilled in the first quarter), five single lateral lined horizontal heavy oil wells in the general Lloydminster area, four multi-lateral heavy oil wells in the general Lloydminster area (one successfully drilled in the first quarter), one (0.6 net) light oil well in Wilson Creek, Alberta and one light oil well in Tableland, Saskatchewan. Although capital has been reduced by 14 per cent, annual production guidance has only been reduced by approximately two per cent, from 5,800 – 6,000 boe per day to 5,700 – 5,900 boe per day due to the reconfiguration and timing of wells. In addition to the budget reduction, investments have also been balanced better through the second half of the year with approximately two thirds of the remaining capital targeting the lower costs typically experienced in the third quarter and the final one third to be invested during the fourth quarter.

	2023 Revised Guidance	2023 Previous Guidance	2023 YTD Actuals
Annual production (boe/d)	**5,700 – 5,900**	**5,800 – 6,000**	5,846
Heavy oil weighting (%)	**49**	**48**	46
Light oil, medium oil and NGLs weighting (%)	**37**	**38**	39
Royalty rate (%)	**13**	**13**	12
Operating and transportation costs ($/boe)	**25.00**	**25.00**	26.01
General and administrative expense ($/boe)	**3.50**	**3.50**	3.75
Interest and other ($/boe)	**1.00**	**0.80**	0.92
Capital and abandonment expenditures ($ millions)(1)	**50**	**58**	27

(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.

REVISED DIVIDEND

Gear remains committed to returning profits to its shareholders in the form of a dividend. In the second quarter of 2023, Gear distributed $7.8 million of dividends or $0.03 per share. Since inception, Gear has distributed a cumulative $33.8 million of dividends to its shareholders, or $0.13 per share. Over the same time period, Gear has observed inflationary cost pressures within its business and a general downward trend in realized commodity prices. In order to maintain its strong balance sheet while providing stable to growing production and reserves for the long-term, Gear will be required to reduce the monthly dividend effective August 2023 to $0.005 per share. Markets will be monitored closely and in the event that commodity prices or costs significantly change, the amount of the monthly dividend may be revisited at the discretion of the Board of Directors.

The August 2023 monthly dividend of $0.005 per common share is to be paid on August 31, 2023, to shareholders of record on August 15, 2023. The dividend is designated as an "eligible dividend" for Canadian income tax purposes.

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: Gear's plan to exit the year with a stable production foundation; new prospects forecasted to be drilled in early to mid 2024; new opportunities that have the potential scale to become new high impact core areas; anticipated future heavy oil price strength; plans to drill four Upper Mannville horizontal wells in the second half of 2023 that could prove up substantial drillable inventory for 2024 and beyond; an anticipated decrease in Gear's transportation expense starting in the third quarter of 2023; Gear's 2023 revised guidance and anticipated benefits thereof including planned capital expenditures, 2023 production (including commodity weightings), expected royalty rate, expected operating and transportation costs, expected general and administrative costs, expected interest and other expense, and expected capital and abandonment expenditures; an optimized budget that includes 14 gross (13.6 net) wells across all three core areas; an approximation of two thirds of the remaining capital to be invested in the third quarter and the final one third to be invested during the fourth quarter; and a reduction of the monthly dividend amount to $0.005 per share.

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 impact of the Russian-Ukraine war on the global economy and commodity prices; the impacts of inflation and supply chain issues; the continued impact of the COVID-19 pandemic; 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 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, future cash dividends declared and paid by the Company may be increased, 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 three and six months ended June 30, 2023 and year ended December 31, 2022, 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, settle decommissioning liabilities, repay debt and finance dividends.

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

	Three months ended			Six months ended	
($ thousands)	Jun 30, 2023	Jun 30, 2022	Mar 31, 2023	Jun 30, 2023	Jun 30, 2022
Cash flows from operating activities	13,311	29,668	14,933	28,244	45,008
Decommissioning liabilities settled (1)	912	1,100	441	1,353	2,012
Change in non-cash operating working capital	2,885	3,002	(2,362)	523	5,532
Funds from operations	17,108	33,770	13,012	30,120	52,552

(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 and finance dividends.

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 and finance dividends.

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 and dividends paid.

Reconciliation of debt to net debt:

Capital Structure and Liquidity ($ thousands)	Jun 30, 2023	Dec 31, 2022
Debt	(21,490)	(7,123)
Working capital surplus (1)	7,168	4,903
Net debt	(14,322)	(2,220)

(1) Excludes risk management contracts and decommissioning liabilities.

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.

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 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.

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