

FINANCIAL AND OPERATIONAL HIGHLIGHTS



(Cdn\$ thousands, except per share, share and per boe amounts)	Three months ended			Nine months ended	
	Sep 30, 2023	Sep 30, 2022	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022
FINANCIAL					
Funds from operations ⁽¹⁾	20,978	22,544	17,108	51,098	75,096
Per boe	41.38	42.79	32.74	32.64	47.96
Per weighted average basic share	0.08	0.09	0.07	0.20	0.29
Cash flows from operating activities	17,532	26,196	13,311	45,776	71,204
Per boe	34.58	49.72	25.47	29.24	45.48
Per weighted average basic share	0.07	0.10	0.05	0.18	0.27
Net income	8,150	17,750	5,550	15,690	47,286
Per weighted average basic share	0.03	0.07	0.02	0.06	0.18
Capital expenditures	12,008	14,872	7,370	37,370	31,650
Decommissioning liabilities settled- Gear	2,202	2,859	912	3,555	4,871
Decommissioning liabilities settled- Government ⁽²⁾	-	433	-	37	683
Net (debt) surplus ⁽¹⁾	(13,297)	6,959	(14,322)	(13,297)	6,959
Dividends declared and paid	5,243	7,751	7,849	20,918	10,361
Dividends declared and paid per share	0.02	0.03	0.03	0.08	0.04
Weighted average shares, basic (thousands)	262,139	258,385	261,629	261,549	259,752
Shares outstanding, end of period (thousands)	262,220	259,367	262,115	262,220	259,367
OPERATING					
Production					
Heavy oil (bbl/d)	2,601	2,546	2,698	2,677	2,756
Light and medium oil (bbl/d)	1,890	1,971	1,955	1,963	1,845
Natural gas liquids (bbl/d)	233	320	279	268	278
Natural gas (mcf/d)	4,720	5,339	4,860	4,953	5,135
Total (boe/d)	5,511	5,727	5,742	5,734	5,735
Average prices					
Heavy oil (\$/bbl)	89.65	89.32	73.92	73.30	100.62
Light and medium oil (\$/bbl)	102.43	109.95	89.63	94.49	118.37
Natural gas liquids (\$/bbl)	46.53	60.62	40.74	46.01	65.15
Natural gas (\$/mcf)	2.64	4.47	2.22	2.67	5.51
Netback (\$/boe)					
Petroleum and natural gas sales	81.67	85.10	69.10	71.03	94.53
Royalties	(9.74)	(12.14)	(8.20)	(8.51)	(12.39)
Operating costs	(23.57)	(21.16)	(21.54)	(22.51)	(20.95)
Transportation costs	(3.28)	(3.67)	(3.75)	(3.77)	(3.55)
Operating netback ⁽¹⁾	45.08	48.13	35.61	36.24	57.64
Realized risk management gain (loss)	1.00	(1.94)	1.37	1.08	(5.60)
General and administrative	(3.45)	(3.20)	(3.12)	(3.65)	(3.65)
Interest and other	(1.25)	(0.20)	(1.12)	(1.03)	(0.43)

(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 Gear's management's discussion and analysis.

(2) Decommissioning liabilities settled by the federal government's Site Rehabilitation Program, which ended during the first nine months of 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") is Gear Energy Ltd. ("Gear" or the "Company") management's analysis of its financial performance. It is dated November 9, 2023 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements as at and for the nine months ended September 30, 2023 and the audited Consolidated Financial Statements as at and for the year ended December 31, 2022. Both statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The MD&A contains non-generally accepted accounting principles ("GAAP") measures and forward-looking statements and readers are cautioned that the MD&A should be read in conjunction with Gear's disclosure under "Non-GAAP Measures" and "Forward-Looking Information and Statements" included at the end of this MD&A. All figures are in Canadian dollar thousands unless otherwise noted.

ABOUT GEAR ENERGY LTD.

Gear is a Canadian exploration and production company with heavy and light oil production in Central Alberta, West Central Saskatchewan and Southeast Saskatchewan. Presently, Gear has 31 employees with 21 staff in the Calgary office and 10 employees located in Gear's operating areas in Alberta and Saskatchewan. Gear also has a number of contractors in the Calgary office, and contract operators in the field. The Company trades on the Toronto Stock Exchange under the symbol GXE and on the OTCQX under the symbol GENGF.

Gear is return-driven with a focus on delivering per share growth by pursuing assets with the following characteristics:

- Geographically focused
- Definable resource base with low risk production
- Repeatable projects that are statistically economic
- Multiple producing horizons
- Easy surface access and existing infrastructure
- High operatorship

Gear enhances returns of acquired assets by:

- Drilling and developing on acquired lands
- Focusing on operational and cost efficiencies
- Continually improving operations through innovation and imitation
- Adopting and refining advanced drilling and completing techniques
- Pursuing strategic acquisitions with significant potential synergies

2023 AND 2024 GUIDANCE

The Board of Directors of Gear (the "Board") has approved a 2024 capital budget of \$57 million designed to target the following four key strategic goals:

1. Three to four per cent annual production growth through investment into core area drilling and waterflood opportunities;
2. Continuation of \$0.005 per share monthly dividend;
3. Maintenance of the strong balance sheet; and
4. Continued commitment to improving Gear's environmental footprint through abandonment and reclamation activities

The details of the 2024 capital budget are as follows:

- \$40.0 million (71%) focused on drilling 22 gross (22 net) wells including 13 Lloydminster area heavy oil wells, three Cold Lake, Alberta oil sands wells, three Killam, Alberta medium oil wells, two light oil wells in Wilson Creek, Alberta, and one light oil well Southeast Saskatchewan.
- \$5.3 million (10%) invested in water flood expansions including continued expansion of various heavy oil water floods, continued expansion of the Killam medium oil water flood, expansion of the Tableland light oil water flood and further expansions of the light oil water floods in Wilson Creek. Gear continues to increase capital investment into water flood projects to target increases in oil recovery factors and lowering production decline rates.
- \$6.3 million (11%) directed to continued reduction in liabilities associated with abandonment and reclamations.
- \$5.0 million (8%) invested in land, seismic, field capital projects, recompletions and other corporate costs.

The budget is forecast to deliver the following results:

Table 1

	2024 Guidance	2023 Guidance	Q3 2023 YTD Actuals
Annual production (boe/d)	6,000	5,700 – 5,900	5,734
Heavy oil weighting (%)	51	49	47
Light oil, medium oil and NGLs weighting (%)	37	37	39
Royalty rate (%)	12	13	12
Operating and transportation costs (\$/boe)	24.70	25.00	26.28
General and administrative expense (\$/boe)	3.20	3.50	3.65
Interest and other expense (\$/boe)	0.50	1.00	1.03
Capital and abandonment expenditures (\$ millions) ⁽¹⁾	57	50	41

(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.

Using various WTI price forecasts for 2024 and assuming a WCS differential of US\$18 per barrel, MSW and LSB differentials of US\$5 per barrel, AECO gas price of C\$3 per GJ, and a foreign exchange of US\$0.73 per C\$, Gear is forecasting 2024 funds from operations ("FFO") as follows:

WTI US\$	70	80	90
FFO (\$ millions)	63	87	111

On an annualized basis, Gear forecasts its \$0.005 per share per month dividend to total approximately \$16.0 million. Gear estimates that WTI would have to average US\$74 per barrel in order for FFO to equal the 2024 forecasted capital and abandonment expenditures of \$57.0 million and the current annualized dividend. Any future increase in commodity prices beyond these base assumptions will provide incremental FFO less capital and abandonment expenditures and dividends which would be dedicated to potential future capital expansions, cash funded acquisitions, share buybacks and/or future dividend increases. Conversely, any future decrease in commodity prices may result in incremental debt and/or future dividend reductions.

STRATEGIC REPOSITIONING UPDATE

On September 27, 2023, Gear announced that it commenced a formal process to explore, review and evaluate strategic repositioning alternatives with a view to enhancing shareholder value (the "Strategic Process"). The Board is undertaking a comprehensive review to identify and consider a broad range of alternatives to enhance shareholder value, including, but not limited to, a merger, corporate sale, corporate restructuring, sale of select assets, purchase of assets, potential spin-out of select assets, optimization of future capital allocation and return of capital strategies, or any combination of these alternatives. The Strategic Process is ongoing and Gear does not intend to disclose developments unless the Board has approved a specific transaction, or otherwise determines that disclosure is necessary or appropriate.

METRICS

Gear measures its performance on its ability to grow value on a debt adjusted per share basis. Table 2 details funds from operations, cash flows from operating activities and production per debt adjusted share:

Table 2

	Three months ended			Nine months ended			
	Sep 30, 2023	Sep 30, 2022	% Change	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022	% Change
Funds from operations							
per debt adjusted share ⁽¹⁾	0.075	0.090	(17)	0.062	0.189	0.285	(34)
Cash flows from operating activities							
per debt adjusted share ⁽¹⁾	0.063	0.104	(39)	0.048	0.169	0.270	(37)
Production, boepd							
per debt adjusted thousand shares ⁽¹⁾	0.020	0.023	(13)	0.021	0.021	0.022	(5)

(1) Funds from operations per debt adjusted share, cash flows from operating activities per debt adjusted share and production boepd per debt adjusted thousand shares are non-GAAP and other financial measures and are reconciled to the nearest GAAP measure, where applicable, under the heading "Non-GAAP and Other Financial Measures". Such measures do not have any standardized meanings under GAAP and therefore may not be comparable to similar measures presented by other entities.

2023 THIRD QUARTER FINANCIAL AND OPERATIONAL RESULTS

Funds from Operations and Cash Flows from Operating Activities

Funds from operations decreased from \$22.5 million or \$42.79 per boe in the third quarter of 2022 to \$21.0 million or \$41.38 per boe in the third quarter of 2023. The decrease in funds from operations is the result of decreased revenues due to lower realized commodity prices and decreased sales volumes, and increased operating, general and administrative and interest and other costs, partially offset by a gain on risk management contracts and decreased royalties and transportation costs.

On a year to date basis, funds from operations decreased from \$75.1 million or \$47.96 per boe in 2022 to \$51.1 million or \$32.64 per boe in 2023. The decrease in funds from operations is the result of decreased revenues due to lower realized commodity prices and increased operating, transportation, general and administrative and interest and other costs, partially offset by a gain on risk management contracts and decreased royalties.

The following table details the change in funds from operations for 2023 relative to 2022:

Table 3

	Three months ended Sep 30		Nine months ended Sep 30	
	\$ thousands	\$/boe	\$ thousands	\$/boe
Q3 2022 Funds from operations ⁽¹⁾	22,544	42.79	75,096	47.96
Volume variance	(1,692)	-	(47)	-
Price variance	(1,739)	(3.43)	(36,762)	(23.50)
Risk management contracts	1,527	2.94	10,452	6.68
Royalties	1,457	2.40	6,078	3.88
Expenses:				
Operating	(805)	(2.41)	(2,437)	(1.56)
Transportation	272	0.39	(336)	(0.22)
General and administrative	(62)	(0.25)	(8)	-
Interest and other	(524)	(1.05)	(938)	(0.60)
Q3 2023 Funds from operations ⁽¹⁾	20,978	41.38	51,098	32.64

(1) Funds from operations is a non-GAAP financial measure and is reconciled to the nearest GAAP measure under the heading "Non-GAAP and Other Financial Measures". Such measure does not have a standardized meaning under GAAP and therefore may not be comparable to similar measures presented by other entities.

Cash flows from operating activities decreased from \$26.2 million or \$49.72 per boe in the third quarter of 2022 to \$17.5 million or \$34.58 per boe in the second quarter of 2023. The decrease in cash flows from operating activities is the result of decreased revenues due to lower realized commodity prices and decreased sales volumes, and increased operating, general and administrative and interest and other costs, partially offset by a gain on risk management contracts, decreased royalties and transportation costs and decreased decommissioning liabilities settled by Gear.

On a year to date basis, cash flows from operating activities decreased from \$71.2 million or \$45.48 per boe to \$45.8 million or \$29.24 per boe. The decrease in cash flows from operating activities is the result of decreased revenues due to lower realized commodity prices and increased operating, transportation, general and administrative and interest and other costs, partially offset by a gain on risk management contracts, decreased royalties and decreased decommissioning liabilities settled by Gear.

Net Income

Gear generated net income of \$8.2 million and \$15.7 million for the three and nine months ended September 30, 2023, compared to net income of \$17.8 million and \$47.3 million for same periods in 2022. The change in net income is due to several factors discussed below. Net income increased from \$5.6 million for the second quarter of 2023 to \$8.2 million for the third quarter mainly due to the increase in realized pricing during the third quarter.

Production

Sales production volumes for the three and nine months ended September 30, 2023 averaged 5,511 and 5,734 boe per day compared to 5,727 and 5,735 boe per day for the same periods in 2022. In the third quarter of 2023 Gear drilled eight gross (eight net) wells; three single leg lined heavy oil wells in Maidstone, Saskatchewan, three multi-lateral unlined heavy oil wells in Wildmere, Alberta and two single leg lined heavy oil wells in Celtic, Saskatchewan. Of the new drills, all were rig released and producing during a portion of the third quarter except for one Maidstone well that was drilled and abandoned due to third party issues. The majority of the capital costs associated with the drilled and abandoned well were reimbursed by the third party.

Year to date, Gear has drilled 12 gross (12 net) wells, with 11 of them on production. The seven new wells on production during the third quarter of 2023 delivered IP 30 rates averaging approximately 140 boe per day per well, almost three times higher average rates than delivered from the four wells drilled in the first quarter of 2023. The seven new wells' IP 30 rates ranged from approximately 90 boe per day per well for the four single lateral lined wells to over 200 boe per day per well for the three multi-lateral unlined wells (average of four legs per well).

Sales production volumes decreased from 5,742 boe per day in the second quarter of 2023 to 5,511 boe per day in the third quarter of 2023. Production decreased as a result of natural well declines on Gear's base production due to minimal drilling during the previous quarter, and the disposition of a non-core heavy oil property producing approximately 120 boe per day in August, partially offset by production from the new wells that came on through the quarter.

In addition to these wells, one light oil well in Tableland, Saskatchewan was spud at the end of September 2023 and was then rig released early October 2023. Subsequent to the third quarter, a second Tableland well was also successfully drilled.

Gear had an inventory draw of approximately 7,600 barrels in the third quarter of 2023 over the previous quarter and has approximately 131 thousand barrels of oil in inventory as at September 30, 2023.

Table 4

Production	Three months ended			Nine months ended			
	Sep 30, 2023	Sep 30, 2022	% Change	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022	% Change
Liquids (bbl/d)							
Heavy oil (bbl/d)	2,601	2,546	2	2,698	2,677	2,756	(3)
Light and medium oil (bbl/d)	1,890	1,971	(4)	1,955	1,963	1,845	6
Natural gas liquids (bbl/d)	233	320	(27)	279	268	278	(4)
Total liquids (bbl/d)	4,724	4,837	(2)	4,932	4,908	4,879	1
Natural gas (mcf/d)	4,720	5,339	(12)	4,860	4,953	5,135	(4)
Total production (boe/d) ⁽¹⁾	5,511	5,727	(4)	5,742	5,734	5,735	-
% Liquids production	86	84	2	86	86	85	1
% Natural gas production	14	16	(13)	14	14	15	(7)

(1) Reported production for a period may include minor adjustments from previous production periods.

Petroleum and Natural Gas Sales

For the three and nine months ended September 30, 2023, sales of crude oil, natural gas and natural gas liquids totaled \$41.4 million and \$111.2 million compared to \$44.8 million and \$148.0 million for the same periods in 2022, respectively. These decreases are mainly the result of lower realized commodity prices. Quarter over quarter, sales increased to \$41.4 million from \$36.1 million in the second quarter of 2023. This increase is the result of higher realized commodity prices, partially offset by lower production volumes.

A breakdown of sales by product is outlined in Table 5:

Table 5

Sales by product (\$ thousands)	Three months ended			Nine months ended			
	Sep 30, 2023	Sep 30, 2022	% Change	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022	% Change
Heavy oil	21,450	20,922	3	18,148	53,575	75,721	(29)
Light and medium oil	17,813	19,938	(11)	15,942	50,634	59,621	(15)
Natural gas liquids	1,000	1,785	(44)	1,035	3,366	4,939	(32)
Natural gas	1,146	2,195	(48)	981	3,615	7,718	(53)
Total petroleum and natural gas sales	41,409	44,840	(8)	36,106	111,190	147,999	(25)

Commodity Prices

Table 6

	Three months ended				Nine months ended		
	Sep 30, 2023	Sep 30, 2022	% Change	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022	% Change
Average benchmark prices							
WTI oil (US\$/bbl) ⁽¹⁾	82.26	91.55	(10)	73.78	77.39	98.09	(21)
WCS heavy oil (Cdn\$/bbl) ⁽²⁾	93.02	93.59	(1)	78.85	80.47	105.62	(24)
Canadian Light Sweet ⁽³⁾ (Cdn\$/bbl)	107.85	116.88	(8)	95.11	100.67	123.45	(18)
LSB (Cdn\$/bbl) ⁽⁴⁾	106.63	114.95	(7)	93.84	98.18	121.97	(20)
AECO natural gas (\$/mcf) ⁽⁵⁾	2.59	4.02	(36)	2.45	2.75	5.32	(48)
Cdn\$ / US\$ exchange rate	1.34	1.31	2	1.34	1.35	1.28	5
Gear realized prices							
Heavy oil (\$/bbl)	89.65	89.32	-	73.92	73.30	100.62	(27)
Light and medium oil (\$/bbl)	102.43	109.95	(7)	89.63	94.49	118.37	(20)
Natural gas liquids (\$/bbl)	46.53	60.62	(23)	40.74	46.01	65.15	(29)
Natural gas (\$/mcf)	2.64	4.47	(41)	2.22	2.67	5.51	(52)
Realized price before risk management contracts (\$/boe)	81.67	85.10	(4)	69.10	71.03	94.53	(25)
Realized risk management gain (loss) (\$/boe)	1.00	(1.94)	-	1.37	1.08	(5.60)	-
Realized price after risk management contracts (\$/boe)	82.67	83.16	(1)	70.47	72.11	88.93	(19)

(1) WTI represents the posting price of West Texas Intermediate oil.

(2) WCS represents the average market price for the benchmark Western Canadian Select for Gear's heavy oil.

(3) Represents the Canadian Light Sweet oil index for Gear's Alberta light oil.

(4) LSB represents the Light Sour Blend oil index for Gear's Southeast Saskatchewan light oil.

(5) Represents the AECO 5a monthly index.

For the third quarter of 2023, US denominated WTI prices decreased by 10 per cent from US\$91.55 per barrel to US\$82.26 per barrel over the same period in 2022, with the WCS, Canadian Light Sweet and LSB differentials narrowing. As a result of these pricing movements, Gear's realized pricing decreased from \$85.10 per boe to \$81.67 per boe. On a year to date basis WTI decreased from US\$98.09 per barrel to US\$77.39 per barrel over the same period in 2022, with the WCS, Canadian Light Sweet and LSB differentials widening. These pricing movements resulted in a decrease in Gear's realized pricing from \$94.53 per boe to \$71.03 per boe.

When comparing to the previous quarter, US denominated WTI prices increased from US\$73.78 per barrel to US\$82.26 per barrel, with the WCS, Canadian Light Sweet and LSB differentials narrowing. These pricing movements resulted in an increase in Gear's realized pricing from \$69.10 per boe to \$81.67 per boe.

Royalties

For the three and nine months ended September 30, 2023, royalties as a percentage of petroleum and natural gas sales were 11.9 and 12.0 per cent compared to 14.3 and 13.1 per cent for the same periods in 2022. These decreases are the result of the decrease in commodity prices which have led to lower crown royalty rates that change depending on price levels. Royalties as a percentage of commodity sales remained at 11.9 per cent for the third quarter of 2023 compared to the second quarter of 2023.

Table 7

	Three months ended				Nine months ended		
	Sep 30, 2023	Sep 30, 2022	% Change	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022	% Change
Royalty expense							
(\$ thousands except % and per boe)							
Royalty expense	4,941	6,398	(23)	4,285	13,317	19,395	(31)
Royalty expense as a % of sales	11.9	14.3	(17)	11.9	12.0	13.1	(8)
Royalty expense per boe	9.74	12.14	(20)	8.20	8.51	12.39	(31)

Operating and Transportation Expenses

Operating cost for the three and nine months ended September 30, 2023 was \$23.57 and \$22.51 per boe compared to \$21.16 and \$20.95 per boe for the same periods in 2022. These increases are mainly the result of general inflationary pressures on the business, as well as higher maintenance costs incurred during the first nine months of 2023.

Operating cost for the third quarter of 2023 was \$23.57 per boe compared to \$21.54 per boe for the previous quarter. This increase was mainly the result of increased maintenance and well servicing costs during the third quarter.

Transportation expense for the three and nine months ended September 30, 2023 was \$3.28 and \$3.77 per boe compared to \$3.67 and \$3.55 per boe for the same periods in 2022 and \$3.75 per boe for the previous quarter.

In 2021, Gear tied production into a newly constructed third-party gas gathering system and Gear's revenue associated with this incremental production in southeast Saskatchewan was offset by a transportation fee until the total commitment was extinguished in the second quarter of 2023. During the nine months ended September 30, 2023, Gear incurred \$0.8 million or \$0.51 per boe of transportation fees associated with this system. Starting in the third quarter of 2023, Gear received the revenue associated with the incremental production from this gas gathering system and also incurred less transportation expense as a result. During the three and nine months ended September 30, 2022, Gear incurred \$0.8 million or \$1.52 per boe and \$2.1 million or \$1.32 per boe, respectively, of transportation fees associated with this system.

Excluding the impact of the gas gathering system, transportation expense for the three and nine months ended September 30, 2023 was \$3.28 per boe and \$3.26 per boe compared to \$2.15 per boe and \$2.23 per boe for the same periods in 2022 and \$3.12 per boe for the previous quarter. These increases are mainly due to inflationary pressures in the form of fuel surcharges from trucking companies as well as a change in sales point for Gear's Saskatchewan heavy oil. Beginning in the first quarter of 2023, Gear was unable to transport its Saskatchewan heavy oil by rail and was forced to change sales points, resulting in an increase in transportation expense. During the nine months ended September 30, 2023, Gear was able to slightly reduce transportation costs due to a favorable change in sales point for its Alberta heavy oil.

Table 8 below summarizes the operating and transportation expenses:

Table 8

Operating and transportation expenses (\$ thousands except per boe)	Three months ended			Nine months ended			
	Sep 30, 2023	Sep 30, 2022	% Change	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022	% Change
Operating expense	11,952	11,147	7	11,252	35,233	32,796	7
Transportation expense	1,661	1,933	(14)	1,960	5,900	5,564	6
Operating and transportation expense	13,613	13,080	4	13,212	41,133	38,360	7
Operating expense per boe	23.57	21.16	11	21.54	22.51	20.95	7
Transportation expense per boe	3.28	3.67	(11)	3.75	3.77	3.55	6
Operating and transportation expense per boe	26.85	24.83	8	25.29	26.28	24.50	7

Table 9 below is a breakdown of transportation expenses:

Table 9

Transportation expenses (\$ thousands except per boe)	Three months ended			Nine months ended			
	Sep 30, 2023	Sep 30, 2022	% Change	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022	% Change
Transportation - commitment	-	798	(100)	331	801	2,066	(61)
Transportation	1,661	1,135	46	1,629	5,099	3,498	46
Transportation expense	1,661	1,933	(14)	1,960	5,900	5,564	6
Transportation per boe - commitment	-	1.52	(100)	0.63	0.51	1.32	(61)
Transportation per boe	3.28	2.15	53	3.12	3.26	2.23	46
Transportation expense per boe	3.28	3.67	(11)	3.75	3.77	3.55	6

Operating Netbacks

Gear's operating netback prior to risk management contracts for the third quarter of 2023 was \$45.08 per boe compared to \$48.13 per boe for the same period in 2022. The decrease was primarily the result of decreased realized prices and higher operating costs, partially offset by lower royalties and transportation costs.

Gear's operating netback prior to risk management contracts for the nine months ended September 30, 2023 was \$36.24 per boe compared to \$57.64 per boe for the same period in 2022. The decrease was primarily the result of decreased realized prices and higher operating and transportation costs, partially offset by lower royalties.

Gear's operating netback prior to risk management contracts for the third quarter of 2023 was \$45.08 per boe compared to \$35.61 per boe for the previous period. The increase is primarily the result of increased realized prices and lower transportation costs, partially offset by higher royalties and operating costs.

The components of operating netbacks are summarized in Table 10:

Table 10

Operating netback (\$ per boe)	Three months ended				Nine months ended		
	Sep 30, 2023	Sep 30, 2022	% Change	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022	% Change
Sales	81.67	85.10	(4)	69.10	71.03	94.53	(25)
Royalties	(9.74)	(12.14)	(20)	(8.20)	(8.51)	(12.39)	(31)
Operating costs	(23.57)	(21.16)	11	(21.54)	(22.51)	(20.95)	7
Transportation costs	(3.28)	(3.67)	(11)	(3.75)	(3.77)	(3.55)	6
Operating netback ⁽¹⁾	45.08	48.13	(6)	35.61	36.24	57.64	(37)

(1) Operating netback is a non-GAAP ratio and is described under the heading "Non-GAAP and Other Financial Measures" below. Operating netback does not have a standardized meaning under GAAP and therefore may not be comparable to similar measures presented by other entities.

General and Administrative ("G&A") Expenses and Share-Based Compensation ("SBC")

For the three months ended September 30, 2023, G&A expenses totaled \$1.8 million compared to \$1.7 million for the same period in 2022. The majority of the increase in the third quarter of 2023 was due to \$0.2 million in non-recurring consulting and professional fees. For the nine months ended September 30, 2023, G&A expenses totaled \$5.7 million, consistent with the same period in 2022. For the three and nine months ended September 30, 2023, Gear capitalized \$0.4 million and \$1.5 million of G&A compared to \$0.3 million and \$1.4 million for the same periods in 2022. For the three and nine months ended September 30, 2023, G&A on a per boe basis was \$3.45 and \$3.65 per boe compared to \$3.20 and \$3.65 per boe for the same periods in 2022.

The increase in G&A expenses in the third quarter of 2023 compared to the previous quarter was due to consulting fees during the third quarter of 2023. Gear capitalized \$0.4 million in G&A in both the third and second quarters of 2023. G&A on a per boe basis was \$3.45 per boe during the third quarter of 2023 compared to \$3.12 per boe for the previous quarter.

Table 11 is a breakdown of G&A and SBC expense:

Table 11

G&A and SBC expense (\$ thousands except per boe)	Three months ended				Nine months ended		
	Sep 30, 2023	Sep 30, 2022	% Change	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022	% Change
G&A, before recoveries and capitalized G&A	2,204	2,089	6	2,079	7,408	7,414	-
Overhead recoveries	(66)	(96)	(31)	(70)	(203)	(257)	(21)
Capitalized G&A	(388)	(305)	27	(378)	(1,489)	(1,449)	3
G&A	1,750	1,688	4	1,631	5,716	5,708	-
SBC expense	376	324	16	361	1,062	735	44
G&A per boe	3.45	3.20	8	3.12	3.65	3.65	-
SBC expense per boe	0.74	0.61	21	0.69	0.68	0.47	45

SBC is related to the granting of stock options. There were 5.6 million options granted during the nine months ended September 30, 2023 at an average exercise price of \$1.00. In addition, 0.4 million options were forfeited at an average exercise price of \$1.04, 3.2 million options were exercised at an average exercise price of \$0.54 and 1.3 million options expired at an average exercise price of \$1.41. As at September 30, 2023, a total of 17.6 million options with a weighted average exercise price of \$1.04 per share were outstanding, representing approximately 6.7 per cent of the 262.2 million total common shares outstanding. Each option entitles the holder to acquire one Gear common share. As at December 31, 2022 a total of 16.9 million options were outstanding. For further information on Gear's stock options, see the notes to the unaudited Interim Condensed Consolidated Financial Statements. At the date of this MD&A, Gear had a total of 17.5 million options outstanding at a weighted average exercise price of \$1.04 per share. Subsequent to September 30, 2023, 0.1 million options were exercised.

Interest and Other

For the three and nine months ended September 30, 2023, interest and other totaled \$0.6 million and \$1.6 million compared to \$0.1 million and \$0.7 million in the same periods of 2022 and \$0.6 million in the previous quarter. Gear's interest rate on its Credit Facilities (as defined herein) is dependent on its facilities borrowings, inclusive of working capital, in comparison to its earnings before interest, taxes, depletion, depreciation, amortization, and accretion ("Senior Debt to EBITDA Ratio") on a rolling six month period. The increase in interest and financing charges is due to an increase in market interest rates as well as an increase in Gear's debt balance during the three and nine months periods ended September 30, 2023.

Table 12 is a breakdown of interest and other:

Table 12

Interest and other (\$ thousands except per boe)	Three months ended			Nine months ended			
	Sep 30, 2023	Sep 30, 2022	% Change	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022	% Change
Interest expense	491	124	296	484	1,273	569	124
Financing charges	75	36	108	49	161	117	38
Standby fees	67	80	(16)	51	174	171	2
Realized loss (gain) on foreign exchange	-	(131)	(100)	-	3	(184)	-
Interest and other	633	109	481	584	1,611	673	139
Interest and other per boe	1.25	0.20	525	1.12	1.03	0.43	140

Risk Management Contracts

Gear has a mandate to protect its balance sheet and capital program for the current and upcoming year by reducing fluctuations in both its funds from operations and assigned borrowing base on its Credit Facilities. To do this, Gear uses or plans to use a variety of derivative instruments to reduce its exposure to fluctuations in commodity prices, foreign exchange rates and interest rates. Gear has not designated its risk management contracts as effective hedges, and thus has not applied hedge accounting. Gear has completed all 2023 bank mandated hedging requirements as specified by its credit agreement. Management continues to evaluate its risk and the management thereof and will continue to monitor the commodities market for further future risk management contracts.

For the three and nine months ended September 30, 2023, Gear realized gains on risk management contracts of \$0.5 million and \$1.7 million compared to realized losses of \$1.0 million and \$8.8 million for the same periods in 2022 and a realized gain of \$0.7 million in the previous quarter. The fair value of all outstanding contracts at September 30, 2023 was an asset of \$26 thousand.

Table 13 summarizes Gear's financial risk management contracts as at September 30, 2023:

Table 13

Financial WTI crude oil contracts

Term	Contract	Currency	Volume bbl/d	Sold Swap \$/bbl	Sold Call \$/bbl	Bought Put \$/bbl	Sold Put \$/bbl
Oct 1, 2023 Dec 31, 2023	Three-way collar	CAD	750	-	113.50	80.00	65.00

Financial AECO natural gas contracts

Term	Contract	Currency	Volume GJ/d	Sold Swap \$/GJ
Oct 1, 2023 Dec 31, 2023	Swap	CAD	3,600	4.50

Impairment and Depletion, Depreciation and Amortization Expense ("DD&A")

DD&A during the three and nine months ended September 30, 2023 was \$20.80 and \$20.22 per boe compared to \$17.08 and \$17.70 per boe in the same periods in 2022. These increases in the DD&A rate are mainly the result of the impact of the impairment reversal at December 31, 2022 which increased Gear's depletable base. Depletion is recorded net of government spending. For the three and nine months ended September 30, 2023, \$nil and \$37 thousand in abandonment expenditures, respectively, were funded by the government, as compared to \$0.4 million and \$0.7 million for the same periods in 2022. Decommissioning expenditures funded by the government ended during the first quarter of 2023. Quarter over quarter, DD&A was \$20.18 per boe in the previous quarter compared to \$20.80 per boe in the third quarter of 2023.

As at September 30, 2023, no indicators of impairment were identified. As at December 31, 2022, indicators of an impairment reversal were identified on Gear's Cash-Generating Unit ("CGU") #3 as a result of the increase in commodity prices. An impairment test was carried out at December 31, 2022 on CGU #3. The estimated recoverable amounts incorporated the net present value of the after-tax cash flows from proved plus probable crude oil and natural gas reserves of CGU #3 based on reserves estimated by Gear's independent reserves evaluator at December 31, 2022. As at December 31, 2022, the estimated recoverable amount for CGU #3 was based on a fair value less cost of disposal calculation using a discount rate based on an estimated industry weighted average cost of capital of 12 per cent. As a result of the impairment test performed at December 31, 2022, the recoverable amount of CGU #3 exceeded its carrying value, and a \$10.0 million impairment reversal, net of depletion, was recorded in the Consolidated Statements of Income and Comprehensive Income. For additional information see Note 4 "Property, Plant and Equipment and Impairment" in the notes to the Interim Condensed Consolidated Financial Statements. As future commodity prices remain volatile, impairment charges could be recorded in future periods.

As at September 30, 2023 and December 31, 2022, Gear recorded oil inventory valued at its production cost. No impairments on inventory were recorded in 2022 or in the first nine months of 2023.

Table 14 is a breakdown of DD&A expenses:

Table 14

DD&A rate (\$ thousands except per boe)	Three Months Ended			Nine Months Ended			
	Sep 30, 2023	Sep 30, 2022	% Change	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022	% Change
DD&A	10,544	8,997	17	10,542	31,649	27,707	14
Total DD&A rate per boe	20.80	17.08	22	20.18	20.22	17.70	14

Taxes

Deferred income tax assets on the Consolidated Balance Sheet are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable based on current tax pools and estimated future taxable income. As at September 30, 2023 and December 31, 2022, a deferred tax asset in the amount of \$41.1 million was recognized, and \$58.3 million remains unrecognized, as management did not find it probable that the benefit will be realized. Included in this tax basis are estimated non-capital loss carry forwards that expire in the years 2027 through 2042. No cash income taxes were paid in 2023 and 2022.

At September 30, 2023, Gear's estimated tax pools were \$621.7 million compared to \$630.6 million as at December 31, 2022. The change in individual tax pool balances is mainly due to Gear re-filing some previous years' tax returns to maximize the value of deductible resource pools.

A breakdown of estimated tax pools is shown in Table 15:

Table 15

(\$ thousands)	September 30, 2023	December 31, 2022
Canadian oil and gas property expenses	121,863	116,504
Canadian development expenses	126,813	163,314
Canadian exploration expenses	28,494	28,419
Undepreciated capital cost	50,853	52,096
Non-capital losses	293,629	270,262
Other	38	14
Estimated realizable tax pools, federal and provincial	621,690	630,609

Capital Expenditures, Acquisitions and Dispositions

Capital expenditures, including acquisitions and dispositions for the three and nine months ended September 30, 2023 were \$12.4 million and \$37.8 million compared to \$14.9 million and \$31.7 million for the same periods in 2022 and \$7.4 million in the previous quarter. In the third quarter of 2023 Gear drilled eight gross (eight net) wells, three single leg lined heavy oil wells in Maidstone, Saskatchewan, three multi-lateral unlined heavy oil wells in Wildmere, Alberta and two single leg lined heavy oil wells in Celtic, Saskatchewan. Of the new drills, all were rig released and producing during the third quarter except for one Maidstone well that was drilled and abandoned due to third party issues. The majority of the capital costs associated with the drilled and abandoned well were reimbursed by the third party. In addition to these wells, one light oil well in Tableland, Saskatchewan was spud at the end of September 2023 and rig released in early October 2023. Capital expenditures increased during the third quarter of 2023 compared to the second quarter of 2023 due to the end of spring breakup. During the first nine months of 2023, Gear invested \$2.1 million in undeveloped land primarily in the Lloydminster heavy oil fairway with a total of 10 sections of land acquired with future prospectivity into high oil-in-place reservoirs over numerous stacked Mannville horizons.

Year to date, Gear drilled 12 gross (12 net) oil wells including one unlined multi-lateral medium oil well in Provost, Alberta, two multi-stage fractured heavy oil wells in Hoosier, Saskatchewan, and one unlined multi-lateral heavy oil well in Wildmere, Alberta, in addition to the wells drilled in the third quarter of 2023.

During the third quarter of 2023 Gear disposed of non-core Alberta heavy oil assets in Morgan and Lloydminster. The transaction included the disposition of 93 net wells, 15 net facilities and 2 net pipeline licenses, which carried a decommissioning liability of \$3.0 million. Proceeds associated with this transaction were nominal.

A breakdown of capital expenditures and net acquisitions and dispositions is shown in Table 16:

Table 16

Capital expenditures (\$ thousands)	Three months ended			Nine months ended			
	Sep 30, 2023	Sep 30, 2022	% Change	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022	% Change
Drilling and completions	9,659	11,535	(16)	3,804	25,320	24,131	5
Production equipment and facilities	2,199	3,292	(33)	1,645	9,513	6,738	41
Geological and geophysical	100	(7)	-	111	340	87	291
Undeveloped land	16	28	(43)	1,759	2,073	546	280
Other	34	24	42	51	124	148	(16)
Total capital expenditures	12,008	14,872	(19)	7,370	37,370	31,650	18
Property acquisitions and dispositions, net	398	-	100	-	398	-	100
Total capital expenditures and net acquisitions and dispositions	12,406	14,872	(17)	7,370	37,768	31,650	19

Decommissioning Liability

At September 30, 2023, Gear recorded a decommissioning liability of \$60.7 million (\$71.4 million at December 31, 2022) for the future abandonment and reclamation of Gear's properties. The estimated decommissioning liability includes assumptions in respect of actual costs to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors used to calculate the undiscounted total future liability. The liability has been inflated at 2.00 per cent (2.00 per cent at December 31, 2022) and discounted using a risk free rate of 3.81 per cent (3.28 per cent at December 31, 2022). Abandonment cost estimates are derived from management assumptions and based on historical abandonment expenditures. The decrease in liability is mainly the result of the increase in the discount factor, abandonment activities during the first nine months of 2023 and dispositions made during the quarter, partially offset by new wells drilled by Gear. Decommissioning liabilities settled by Gear during the nine months ended September 30, 2023 were \$3.6 million.

In 2020, the federal government announced that as part of its COVID-19 Economic Response Plan that it would provide \$1.7 billion to clean up orphan and inactive wells in Alberta, Saskatchewan and British Columbia under a Site Rehabilitation Program ("SRP"). Gear was approved for a total cumulative funding of \$5.2 million. A portion of the funding in Alberta came as a 50 per cent cost reimbursement for Gear's area-based closure in the Wildmere area. Gear's SRP spending per Provincial jurisdiction ended during the first quarter of 2023, with \$37 thousand spent in Saskatchewan.

During the third quarter of 2023, Gear spent \$2.2 million of decommissioning expenditures to cut and cap 25 gross (23 net) wells and downhole abandon 41 gross (39.0 net) wells in Alberta and cut and cap 7 gross (7 net) wells and downhole abandon 1 gross (1 net) well in Saskatchewan.

During the nine months ended September 30, 2023, as a result of combined efforts of both Gear and the SRP, the combined \$3.6 million of decommissioning expenditures allowed Gear to cut and cap 46 gross (44.0 net) wells and downhole abandon 68 gross (65.6 net) wells in Alberta and cut and cap 20 gross (19.4 net) wells and downhole abandon 3 gross (2.5 net) wells in Saskatchewan.

Capitalization, Financial Resources and Liquidity

A breakdown of Gear's capital structure is outlined in Table 17:

Table 17

Debt (\$ thousands except ratio amounts)	Sep 30, 2023	Dec 31, 2022
Net debt ⁽¹⁾	(13,297)	(2,220)
Net debt to trailing twelve-month funds from operations ⁽¹⁾	0.2	0.0
Net debt to quarterly annualized funds from operations ⁽¹⁾	0.2	0.0
Common shares outstanding	262,220	260,693

(1) Net debt, net debt to trailing twelve-month funds from operations and net debt to quarterly annualized funds from operations are non-GAAP and other financial measures and are reconciled to the nearest GAAP measure, where applicable, under the heading "Non-GAAP and Other Financial Measures". Such measures do not have any standardized meanings under GAAP and therefore may not be comparable to similar measures presented by other entities.

Gear continues to maintain a low net debt to trailing twelve-month funds from operations as at September 30, 2023. Net debt increased from \$2.2 million at December 31, 2022 to \$13.3 million at September 30, 2023. During the nine months ended September 30, 2023 Gear had a \$13.9 million draw on its Credit Facilities. Gear's net debt decreased from \$14.3 million at June 30, 2023 to \$13.3 million at September 30, 2023 as a result of improved commodity prices, partially offset by increased capital investment during the third quarter.

Credit Facilities

In November 2023, Gear completed its borrowing base review with no changes to its Credit Facilities. Gear presently has credit facilities consisting of a \$40.0 million revolving credit facility and a \$10.0 million operating facility (the "Credit Facilities").

Table 18 shows a breakdown of Gear's Credit Facilities:

Facility (\$ millions)	Borrowing base		Maturity date
	Sep 30, 2023	Dec 31, 2022	
Revolving	40.0	34.5	May 25, 2025
Operating	10.0	7.5	May 25, 2025
Total	50.0	42.0	

At September 30, 2023 Gear had \$21.0 million drawn on the Credit Facilities (December 31, 2022 – \$7.1 million) and outstanding letters of credit of \$0.8 million (December 31, 2022 – \$0.9 million). At September 30, 2023 and December 31, 2022, Gear's debt was classified as long term. The Credit Facilities do not carry any financial covenants. Gear has an outstanding letter of credit with a counterparty separate from the Credit Facilities for \$0.8 million (December 31, 2022 – \$nil).

The total stamping fees on the operating facility and revolving facility range, depend on Gear's Senior Debt to EBITDA Ratio, and range between 250 bps to 400 bps on Canadian bank prime borrowings and between 350 bps and 500 bps on US dollar denominated SOFR loans and Canadian dollar bankers' acceptances. The undrawn portion of the Credit Facilities is subject to a standby fee in the range of 87.5 bps to 125 bps.

Gear's Credit Facilities are periodically reviewed by its lenders through scheduled borrowing base reviews at which time the borrowing base of such facilities can be adjusted. The next borrowing base review is expected to be completed on or about May 31, 2024.

Shareholders' Equity

On May 4, 2022, Gear announced the approval of its Normal Course Issuer Bid ("NCIB") by the Toronto Stock Exchange ("TSX"). The NCIB allowed the Company to purchase for cancellation up to approximately 24.0 million of its outstanding common shares commencing on May 9, 2022. On May 8, 2023, the NCIB expired. Purchases were made on the open market through the TSX or alternative Canadian trading platforms at the prevailing market price of such common shares at the time of purchase. When the Company repurchased its own common shares, share capital was reduced by the average carrying value of the shares repurchased. When the carrying value exceeded the purchase price, the excess was credited to contributed surplus or conversely the excess of the purchase price over the carrying value was recognized as a deduction from retained earnings. The Company did not repurchase common shares during the first nine months of 2023. For the year ended December 31, 2022, 3.6 million common shares were repurchased at an average cost of \$1.45 per share.

As at September 30, 2023 and the date of this MD&A, Gear had 262.2 million common shares outstanding. The increase since December 31, 2022 is due to stock option exercises during the first nine months of 2023. At December 31, 2022, Gear had 260.7 million common shares outstanding.

Table 19 shows Gear's trading statistics:

Trading statistics (\$ based on intra-day trading)	Three months ended			Nine months ended	
	Sep 30, 2023	Sep 30, 2022	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022
High	1.04	1.40	1.15	1.17	1.94
Low	0.78	0.98	0.92	0.78	0.90
Close	0.88	1.14	0.96	0.88	1.14
Average daily volume (thousands)	2,029	2,972	1,753	2,304	4,364

As at September 30, 2023, a total of 17.6 million options were outstanding with a weighted average exercise price of \$1.04 per share and each option entitled the holder to acquire one Gear common share. As at the date of this MD&A, Gear had 17.5 million options outstanding.

Dividends

Table 20 shows a breakdown of Gear's dividends for the first nine months of 2023 and the year ended December 31, 2022:

Table 20

Declaration date	Record date	Payment date	Dividends per common share	Dividends (\$ thousands)
May 4, 2022	May 16, 2022	May 30, 2022	\$ 0.010	\$ 2,610
July 27, 2022	August 15, 2022	August 31, 2022	0.020	5,164
September 1, 2022	September 15, 2022	September 30, 2022	0.010	2,587
October 3, 2022	October 17, 2022	October 31, 2022	0.010	2,597
November 1, 2022	November 15, 2022	November 30, 2022	0.010	2,597
December 1, 2022	December 15, 2022	December 30, 2022	0.010	2,601
Total for the year ended December 31, 2022			0.070	\$ 18,156

Declaration date	Record date	Payment date	Dividends per common share	Dividends (\$ thousands)
January 3, 2023	January 16, 2023	January 31, 2023	\$ 0.010	\$ 2,607
February 1, 2023	February 15, 2023	February 28, 2023	0.010	2,607
March 1, 2023	March 15, 2023	March 31, 2023	0.010	2,612
April 3, 2023	April 14, 2023	April 28, 2023	0.010	2,616
May 1, 2023	May 15, 2023	May 31, 2023	0.010	2,616
June 1, 2023	June 15, 2023	June 30, 2023	0.010	2,617
July 4, 2023	July 14, 2023	July 31, 2023	0.010	2,621
July 26, 2023	August 15, 2023	August 31, 2023	0.005	1,311
September 1, 2023	September 15, 2023	September 29, 2023	0.005	1,311
Total for the nine months ended September 30, 2023			0.080	\$ 20,918

During the three and nine months ended September 30, 2023, Gear declared \$5.2 million and \$20.9 million in dividends, respectively compared to \$7.8 million and \$10.4 million for the same periods in 2022. For the year ended December 31, 2022, Gear approved and declared \$18.2 million in dividends.

Subsequent to period end, on October 2, 2023, Gear declared a monthly dividend of \$0.005 per common share, designated as an eligible dividend, payable in cash to shareholders of record on October 16, 2023. The dividend payment date was October 31, 2023.

Subsequent to period end, on November 1, 2023, Gear declared a monthly dividend of \$0.005 per common share, designated as an eligible dividend, payable in cash to shareholders of record on November 15, 2023. The dividend payment date is scheduled for November 30, 2023.

Environmental, Social, and Governance Initiatives Impacting Gear

Environmental

Gear has a track record of investing in the environment that started with the installation of a large-scale fuel system to capture vented natural gas in Wildmere back in 2010. Since that time, Gear has continued to expand those fuel systems across many of the assets to both conserve and reduce vented natural gas on our major properties. Additionally, Gear has expanded and continues to expand participation in programs designed to reduce methane emissions through a number of initiatives including replacing high bleed pneumatic controllers with low and zero bleed controllers, installing vapor recovery units to capture tank vent gas, installing instrument air instead of utilizing natural gas and utilizing electricity where possible. Most recently in Southeast Saskatchewan, Gear completed a project with a third party to implement a significant flaring and emissions reduction system.

In almost all areas, Gear has been accessing reservoirs using multi-well pad and multi-leg horizontal drilling designs, materially reducing the surface footprint required to access resources. Similarly, Gear has been implementing, optimizing, and expanding water flooding projects in multiple core areas. These water floods allow Gear to efficiently access incremental resources that would be left behind under primary recovery without expanding surface footprints.

Significant effort continues to be focused on the abandonment and reclamation of inactive wells. The forecast for 2023 is to abandon over 120 wells. Through the course of 2022, Gear abandoned over six times as many wells as drilled over the same period. During the quarter, Gear cut and capped 25 gross (23 net) wells and downhole abandoned 41 gross (39.0 net) wells in Alberta and cut and capped 7 gross (7 net) wells and downhole abandoned 1 gross (1 net) well in Saskatchewan. During the nine months ended September 30, 2023, Gear cut and capped 46 gross (44.0 net) wells and downhole abandoned 68 gross (65.6 net) wells in Alberta and cut and capped 20 gross (19.4 net) wells and downhole abandoned 3 gross (2.5 net) wells in Saskatchewan.

Social

Health and safety have always been prioritized to ensure the well-being of all stakeholders while successfully growing the tangible value of Gear's assets. Safety for Gear's workforce including contractors is paramount. Gear hosts monthly safety meetings for its field staff to review all safety protocols, engage in significant training, utilize standardized procedures and perform regular competency assessments. Over the last three years, Gear has had zero lost time injuries and zero recordable injuries.

Gear provides material investment in and assistance to the communities where Gear operates. Gear also believes that its main objective is to generate value creation for its shareholders so that they can, if they so choose, provide a return to society as well. Additionally, Gear supports its employees as they regularly contribute both personal resources and time to enhancing communities through various corporate and employee initiatives.

Governance

Gear's outstanding teams operate in an environment of honesty, integrity and accountability. Related corporate policies and guidelines are included in the Code of Business Conduct & Ethics, the Whistleblower Policy, the Governance, Compensation and Sustainability Committee Mandate and the Mandate of the Board. All these documents are posted on the Gear website at <https://gearenergy.com/governance/>. These documents, among others, including the Board and Management Diversity and Renewal Policy, outline Gear's commitment to multiple matters including compliance with all regulatory and environmental laws, valuing diversity and a commitment to providing equal opportunity in all aspects of employment, and oversight of all facets of the company's environmental, health and safety protocols.

Gear prides itself on high governance standards. These standards include:

Shareholder alignment to management and director compensation	Gear conducts an extensive annual compensation benchmarking analysis. Its management team has one of the lower base salary structures amongst its peers and its incentive compensation structure is based on multiple performance factors including a proved developed reserves value creation formula as well as relative share price returns.
Full, clear, and truthful disclosure	Gear reports its quarterly information on a timely basis in a format that is full and clear. In addition, Gear publishes a monthly President's letter that attempts to deal with current matters that are pertinent to Gear and its business.
Board independence	All of Gear's Board members, with the exception of Ingram Gillmore, Chief Executive Officer, are independent. On an annual basis, all directors participate in an annual evaluation process.

Contractual Obligations and Commitments

Gear has contractual obligations in the normal course of operations including purchase of assets and services, operating agreements, transportation commitments, sales commitments, royalty obligations, lease rental obligations and employee agreements. These obligations are of a recurring, consistent nature and impact Gear's funds from operations in an ongoing manner. Gear also has contractual obligations and commitments that are of a less routine nature as disclosed in its Consolidated Financial Statements.

In addition to the Credit Facilities, as at September 30, 2023, Gear had the following contractual commitments:

- lease agreements for its head office and its two field offices; and
- one service commitment

Lease agreements for Gear's head and field offices are effective until July 31, 2025. The remaining commitment for these lease agreements is \$0.9 million. The service commitment relates to a software agreement that expires in 2026 with a remaining commitment of \$0.4 million. For further information see Note 11 "Commitments and Contingencies" in the notes to the unaudited Interim Condensed Consolidated Financial Statements.

Gear is involved in litigation and claims arising in the normal course of operations. Management is of the opinion that pending litigation will not have a material impact on Gear's financial position or results of operations.

Non-GAAP and Other Financial Measures

Gear uses certain non-GAAP and other financial measures to analyze financial and operating performance. These specified financial measures include non-GAAP financial measures, non-GAAP ratios, total of segments measures, 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 nine months ended September 30, 2023 and year ended December 31, 2022, where applicable, are 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.

Table 21 below reconciles cash flows from operating activities to funds from operations:

Table 21

(\$ thousands)	Three months ended			Nine months ended	
	Sep 30, 2023	Sep 30, 2022	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022
Cash flows from operating activities	17,532	26,196	13,311	45,776	71,204
Decommissioning liabilities settled ⁽¹⁾	2,202	2,859	912	3,555	4,871
Change in non-cash operating working capital	1,244	(6,511)	2,885	1,767	(979)
Funds from operations	20,978	22,544	17,108	51,098	75,096

(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.

Funds from operations per weighted average diluted share

Funds from operations per weighted average diluted 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 diluted 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 diluted 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.

Table 22 below reconciles debt to net debt:

Table 22

Capital structure and liquidity (\$ thousands)	Sep 30, 2023	Dec 31, 2022
Debt	(20,994)	(7,123)
Working capital surplus ⁽¹⁾	7,697	4,903
Net debt	(13,297)	(2,220)

(1) Excludes risk management contracts and decommissioning liabilities.

At September 30, 2023, Gear had a working capital surplus. When in a deficit position, the Company is able to meet obligations as they come due by drawing on the Credit Facilities. Gear actively manages its liquidity through strategies such as continuously monitoring forecasted and actual cash flows from operating, financing and investing activities, available credit under existing banking arrangements and opportunities to issue additional equity. After examining the economic factors that could cause liquidity risk, the Company believes it will have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months. There can be no assurance that future borrowing base reviews will not result in a material reduction in the borrowing base, and that the necessary funds will be available to meet its obligations as they become due.

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 trailing twelve-month 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. When the Company is in a net surplus position, the Company's net debt to trailing twelve-month funds from operations is not applicable.

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.

Debt adjusted shares

Debt adjusted shares is a non-GAAP financial measure calculated as the weighted average shares minus the share equivalent when Gear has an average net surplus position, or plus the share equivalent when Gear has an average net debt position, as defined and reconciled to debt above, over the period. This assumes that net surplus is used to repurchase shares or net debt is extinguished with an issuance based on a certain share price; however, it should be noted that Gear's bank debt is not convertible into shares. 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 the Company's bank debt, or Gear has the ability to repurchase shares when in a net surplus position. 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 or the price that the Company repurchases shares at. 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.

Table 23 below reconciles weighted average basic shares to debt adjusted shares:

Table 23

(thousands, except per share amounts)	Three months ended			Nine months ended	
	Sep 30, 2023	Sep 30, 2022	Jun 30, 2023	Sep 30, 2023	Sep 30, 2022
Weighted average basic shares	262,139	258,385	261,629	261,549	259,752
Average share price ⁽¹⁾	0.86	1.14	0.95	0.86	1.14
Average net (debt) surplus ⁽²⁾	(13,810)	8,367	(14,799)	(7,759)	(4,436)
Share equivalent on average net (debt) surplus ⁽³⁾	16,058	(7,339)	15,578	9,022	3,891
Debt adjusted shares	278,197	251,046	277,207	270,571	263,643

(1) Average share price obtained by a ten-day volume weighted average price ending at the end of the period.

(2) Average net (debt) surplus obtained by a simple average between opening and ending net (debt) surplus for the three and nine months ended.

(3) Share equivalent on average net (debt) surplus obtained by average net (debt) surplus divided by average share price.

Funds from operations per debt adjusted share

Funds from operations per debt adjusted share is a non-GAAP ratio calculated as funds from operations, as defined and reconciled to cash flows from operating activities above, divided by debt adjusted shares, as defined and reconciled to weighted average basic shares above. Gear considers the non-GAAP ratio funds from operations per debt adjusted share 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 to demonstrate its ability to generate the funds from operations necessary to fund its capital program, settle decommissioning liabilities, repay debt and finance dividends.

Cash flows from operating activities per debt adjusted share

Cash flows from operating activities per debt adjusted share is a non-GAAP ratio calculated as cash flows from operating activities, as determined in accordance with IFRS, divided by debt adjusted shares, as defined and reconciled to weighted average basic shares above. Gear considers the non-GAAP ratio cash flows from operating activities per debt adjusted share 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 to demonstrate its ability to generate the cash flows from operating activities necessary to fund its capital program, repay debt and finance dividends.

Production, boepd per debt adjusted thousand shares

Production, boepd per debt adjusted thousand shares is a non-GAAP ratio calculated as production, boepd, divided by debt adjusted thousand shares, as defined and reconciled to weighted average basic shares above. Gear considers

production, boepd per debt adjusted thousand shares a useful non-GAAP ratio 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 to demonstrate the Company's ability to produce oil and gas.

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.

Critical Accounting Estimates

Gear's financial and operating results incorporate certain estimates including:

- Estimated revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and costs have not yet been determined;
- Estimated capital expenditures on projects that are in progress;
- Estimated DD&A charges that are based on estimates of oil and gas reserves that Gear expects to recover in the future;
- Estimated future recoverable value of property, plant and equipment and any associated impairment charges or recoveries including those associated with the highly uncertain timing and impact of global energy markets transition from carbon-based sources to alternative energy;
- Estimated fair values of derivative contracts that are subject to fluctuation depending upon the underlying commodity prices and foreign exchange rates;
- Estimated decommissioning liabilities that are dependent upon estimates of future costs and timing of expenditures;
- Estimated future utilization of tax pools; and
- Estimated employee share- based compensation costs.

Gear has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates. For further information on the determination of certain estimates inherent in the financial statements refer to Note 4 "Management Judgments and Estimation Uncertainty" in the audited financial statements for the year ended December 31, 2022.

Disclosure Controls and Procedures

Gear's Chief Executive Officer and Chief Financial Officer are responsible for the establishment of disclosure controls and procedures ("DC&P"). DC&P, as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, are designed to provide reasonable assurance that information required to be disclosed in the Company's annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

Gear's Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting ("ICFR") for Gear. They have, as at September 30, 2023, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework Gear's officers used to design the Company's ICFR is the Internal Control - Integrated Framework ("COSO Framework") published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

There were no changes in Gear's ICFR during the three months ended September 30, 2023 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Changes in Accounting Policies

In February 2021 the IASB issued amendments to IAS 1 Presentation of Financial Statements to require entities to disclose their material accounting policy information rather than their significant accounting policies. To support this amendment the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements. The amendments were adopted on January 1, 2023 and did not have a significant impact on the Company's interim condensed consolidated financial statements.

Forward-looking Information and Statements

This MD&A 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 MD&A contains forward-looking information and statements pertaining to the following: Gear's strategy for delivering per share growth and enhanced returns; the expected details of the 2024 \$57 million capital budget including the expectation that the capital budget will deliver three to four per cent annual production growth, continuation of the half cent per share monthly dividend, maintenance of Gear's strong balance sheet and continued improvement in Gear's environmental footprint; Gear's 2024 guidance and anticipated benefits thereof 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; Gear's forecasting of 2024 funds from operations (including based on certain commodity price sensitives); Gear's forecasted to \$0.005 per share per month dividend to total approximately \$16 million; Gear's estimates of the WTI price per barrel required for the capital and abandonment expenditures and dividend to be fully funded by FFO; and Gear's plans for potential incremental FFO; the Board's expectations to continue to review potential strategic alternatives to enhance shareholder value; Gear's expectations as to Gear's future hedging strategy; Gear's estimated future taxable income and non-capital loss carry forwards; Gear's estimate of its decommissioning liabilities; Gear's plans and expectations with respect to reducing methane and other emissions; the number of wells Gear expects to abandon and reclaim in 2023; the expectation of Gear's financial commitments under contractual commitments; Gear's expectation that current litigation will not have a material impact on Gear's financial position or results of operations; and the Company's belief that it will have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months.

The forward-looking information and statements contained in this report 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 future oriented financial information or 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 MD&A 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; 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 risk factors set out in Gear's most recent 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 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 report are made as of the date of this report, 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.

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.

QUARTERLY HISTORICAL REVIEW

(Cdn\$ thousands, except per share, share, and per boe amounts)	2023				2022		2021	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
FINANCIAL								
Petroleum and natural gas sales	41,409	36,106	33,675	39,278	44,840	57,635	45,524	39,961
Funds from operations ⁽¹⁾	20,978	17,108	13,012	18,676	22,544	33,770	18,782	17,938
Per weighted average basic share	0.08	0.07	0.05	0.07	0.09	0.13	0.07	0.07
Per weighted average diluted share	0.08	0.06	0.05	0.07	0.09	0.13	0.07	0.07
Cash flows from operating activities	17,532	13,311	14,933	18,565	26,196	29,668	15,340	17,421
Per weighted average basic share	0.07	0.05	0.06	0.07	0.10	0.11	0.06	0.07
Per weighted average diluted share	0.07	0.05	0.06	0.07	0.10	0.11	0.06	0.07
Net income	8,150	5,550	1,990	27,695	17,750	23,309	6,227	78,117
Per weighted average basic share	0.03	0.02	0.01	0.11	0.07	0.09	0.02	0.30
Per weighted average diluted share	0.03	0.02	0.01	0.10	0.07	0.09	0.02	0.29
Capital expenditures	12,008	7,370	17,992	18,899	14,872	8,091	8,687	4,936
Decommissioning liabilities settled - Gear	2,202	912	441	1,417	2,859	1,100	912	1,000
Decommissioning liabilities settled - Government ⁽²⁾	-	-	37	532	433	250	-	566
Net (debt) surplus ⁽¹⁾	(13,297)	(14,322)	(15,276)	(2,220)	6,959	9,775	(6,706)	(15,830)
Dividends declared and paid	5,243	7,849	7,826	7,795	7,751	2,610	-	-
Dividends declared and paid per share	0.02	0.03	0.03	0.03	0.03	0.01	-	-
Weighted average shares outstanding, basic (thousands)	262,139	261,629	260,693	259,908	258,385	260,561	260,331	259,360
Weighted average shares outstanding, diluted (thousands)	263,599	263,385	263,381	263,774	263,585	268,353	269,016	265,460
Shares outstanding, end of period (thousands)	262,220	262,115	261,212	260,693	259,367	258,173	260,759	260,169
OPERATING								
Production								
Heavy oil (bbl/d)	2,601	2,698	2,734	2,772	2,546	2,686	3,043	3,282
Light and medium oil (bbl/d)	1,890	1,955	2,045	1,835	1,971	1,980	1,580	1,773
Natural gas liquids (bbl/d)	233	279	292	299	320	243	269	231
Natural gas (mcf/d)	4,720	4,860	5,287	5,091	5,339	5,205	4,855	4,637
Total (boe/d)	5,511	5,742	5,952	5,755	5,727	5,777	5,701	6,059
Average prices								
Heavy oil (\$/bbl)	89.65	73.92	56.80	69.72	89.32	116.74	95.91	73.27
Light and medium oil (\$/bbl)	102.43	89.63	91.68	103.62	109.95	133.18	110.32	88.99
Natural gas liquids (\$/bbl)	46.53	40.74	50.69	58.48	60.62	72.59	63.88	59.50
Natural gas (\$/mcf)	2.64	2.22	3.13	5.11	4.47	7.38	4.64	4.81
Selected financial results (\$/boe)								
Petroleum and natural gas sales	81.67	69.10	62.86	74.19	85.10	109.63	88.73	71.69
Royalties	(9.74)	(8.20)	(7.64)	(10.40)	(12.14)	(15.56)	(9.38)	(8.11)
Operating costs	(23.57)	(21.54)	(22.45)	(21.55)	(21.16)	(21.86)	(19.80)	(16.94)
Transportation costs	(3.28)	(3.75)	(4.25)	(4.03)	(3.67)	(3.56)	(3.43)	(3.00)
Operating netback ⁽¹⁾	45.08	35.61	28.52	38.21	48.13	68.65	56.12	43.64
Realized risk management gain (loss)	1.00	1.37	0.87	-	(1.94)	(0.96)	(14.11)	(8.20)
General and administrative	(3.45)	(3.12)	(4.36)	(2.62)	(3.20)	(2.94)	(4.83)	(2.55)
Interest and other	(1.25)	(1.12)	(0.74)	(0.32)	(0.20)	(0.51)	(0.57)	(0.71)

(1) Funds from operations, net (debt) surplus and operating netback are non-GAAP and other financial measures and additional information with respect to these measures can be found under the heading "Non-GAAP and Other Financial Measures". Such measures do not have any standardized meanings under GAAP and therefore may not be comparable to similar measures presented by other entities.

(2) Decommissioning liabilities settled by the Federal Site Rehabilitation Program.

Quarter over quarter fluctuations in revenue are the result of both the amount of oil volumes sent to sale as well as Gear's received price. Volume fluctuations are the result of well productivity and timing of deliveries to the sales point. The amount of volumes delivered to sale can be influenced by a variety of factors some of which include weather, truck and rail car availability, as well as pipeline apportionments. Gear's received price is based on WTI less the WCS, Canadian Light Sweet and LSB oil differentials and is further decremented for the quality differential on its specific grade of oil. Net income is further impacted by royalty and operating expenses. Royalty expenses are directly linked to the price received by Gear and, on crown lands, the productivity of each producing well. Gear's royalty profile changes based on Gear's drilling program and on the results of its existing producing wells. Operating costs are heavily impacted by weather as well as the productivity of each well. Operating costs are typically higher in the winter months due to increased maintenance and energy costs.

CORPORATE INFORMATION

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