

FINANCIAL AND OPERATIONAL HIGHLIGHTS



(Cdn\$ thousands, except per share, share and per boe amounts)	Three months ended			Year ended	
	Dec 31, 2023	Dec 31, 2022	Sep 30, 2023	Dec 31, 2023	Dec 31, 2022
FINANCIAL					
Funds from operations ⁽¹⁾	16,717	18,676	20,978	67,815	93,772
Per boe	30.28	35.27	41.38	32.03	44.77
Per weighted average basic share	0.06	0.07	0.08	0.26	0.36
Cash flows from operating activities	17,813	18,565	17,532	63,589	89,769
Per boe	32.27	35.06	34.58	30.03	42.85
Per weighted average basic share	0.07	0.07	0.07	0.24	0.35
Net (loss) income	(7,104)	27,695	8,150	8,586	74,981
Per weighted average basic share	(0.03)	0.11	0.03	0.03	0.29
Capital expenditures	10,751	18,899	12,008	48,121	50,549
Decommissioning liabilities settled- Gear	2,560	1,417	2,202	6,115	6,288
Decommissioning liabilities settled- Government ⁽²⁾	-	532	-	37	1,215
Net debt ⁽¹⁾	(14,099)	(2,220)	(13,297)	(14,099)	(2,220)
Dividends declared and paid	3,934	7,795	5,243	24,852	18,156
Dividends declared and paid per share	0.015	0.030	0.020	0.095	0.070
Weighted average shares, basic (thousands)	262,247	259,908	262,139	261,725	259,791
Shares outstanding, end of period (thousands)	262,250	260,693	262,220	262,250	260,693
OPERATING					
Production					
Heavy oil (bbl/d)	2,937	2,772	2,601	2,743	2,760
Light and medium oil (bbl/d)	1,920	1,835	1,890	1,952	1,842
Natural gas liquids (bbl/d)	327	299	233	283	283
Natural gas (mcf/d)	4,893	5,091	4,720	4,938	5,124
Total (boe/d)	6,000	5,755	5,511	5,801	5,739
Average prices					
Heavy oil (\$/bbl)	70.74	69.72	89.65	72.60	92.80
Light and medium oil (\$/bbl)	91.01	103.62	102.43	93.63	114.67
Natural gas liquids (\$/bbl)	44.44	58.48	46.53	45.55	63.38
Natural gas (\$/mcf)	2.21	5.11	2.64	2.56	5.41
Netback (\$/boe)					
Petroleum and natural gas sales	67.98	74.19	81.67	70.23	89.40
Royalties	(10.11)	(10.40)	(9.74)	(8.92)	(11.89)
Operating costs	(21.52)	(21.55)	(23.57)	(22.25)	(21.10)
Transportation costs	(3.48)	(4.03)	(3.28)	(3.69)	(3.67)
Operating netback ⁽¹⁾	32.87	38.21	45.08	35.37	52.74
Realized risk management gain (loss)	1.24	-	1.00	1.12	(4.18)
General and administrative	(2.70)	(2.62)	(3.45)	(3.40)	(3.39)
Interest and other	(1.13)	(0.32)	(1.25)	(1.06)	(0.40)

(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 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 February 21, 2024 and should be read in conjunction with the audited Financial Statements as at and for the year ended December 31, 2023 and 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 certain measures that do not have standardized meanings under Canadian generally accepted accounting principles ("GAAP") and forward-looking statements and readers are cautioned that the MD&A should be read in conjunction with Gear's disclosure under "Non-GAAP and Other Financial 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 30 employees with 20 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 ("TSX") 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

ECONOMIC ENVIRONMENT

After several years of consultation, planning and construction, it appears the Trans Mountain pipeline expansion will be operational in 2024. The pipeline will be impactful to the Canadian energy industry, providing a new egress outlet and market for Canadian oil. The expected tangible benefit will be through both a lower discount for realized Canadian oil prices relative to world oil market prices and the ability to export greater amounts of Canadian crude oil. Gear intends to take advantage of this forecasted price improvement by investing in further production growth opportunities throughout the year.

2023 AND 2024 GUIDANCE

Table 1

	2024 Guidance	2023 Guidance	2023 Actuals
Annual production (boe/d)	6,000	5,700 – 5,900	5,801
Heavy oil weighting (%)	51	49	47
Light oil, medium oil and NGLs weighting (%)	37	37	39
Royalty rate (%)	12	13	13
Operating and transportation costs (\$/boe)	24.70	25.00	25.94
General and administrative expense (\$/boe)	3.20	3.50	3.40
Interest and other expense (\$/boe)	0.50	1.00	1.06
Capital and abandonment expenditures (\$ millions) ⁽¹⁾	57	50	54

(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.

Capital and abandonment expenditures for 2023 were \$54 million compared to the \$50 million guidance for 2023. Spending in the fourth quarter of 2023 included additional spending in anticipation of the 2024 drill program as well as additional spending on abandonment and reclamation work.

2024 guidance will include the drilling of 4 wells in the first quarter compared to 6 wells which was previously guided for the quarter. Two wells will be deferred until later in the year as Gear tests a new completion concept in one of its heavy oil plays.

Using various WTI price forecasts for 2024 and assuming a WCS differential of US\$16 per barrel, MSW differential of US\$5 per barrel, LSB differential of US\$6 per barrel, AECO gas price of C\$2 per GJ, and a foreign exchange of US\$0.74 per C\$, Gear is forecasting 2024 funds from operations ("FFO") as follows:

WTI US\$	70	80	90
FFO (\$ millions)	60	84	107

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\$75 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, potential capital adjustments and/or future dividend reductions.

STRATEGIC REPOSITIONING UPDATE

On February 6, 2024, Gear announced the completion of its strategic repositioning process, concluding that the various alternatives presented through the process were not reflective of Gear's underlying value nor compelling relative to Gear's stand-alone prospects for growing shareholder value. Gear will continue to optimize and advance its current business with an unchanged focus on providing long-term sustainable growth and competitive returns to its shareholders, all while maintaining a strong balance sheet.

NORMAL COURSE ISSUER BID

Gear believes that the current market price of its common shares does not reflect their underlying value. As such, Gear applied and received approval from the TSX for a normal course issuer bid ("2024 NCIB").

Under the 2024 NCIB, Gear may purchase for cancellation up to 24,171,076 common shares of Gear, representing approximately 10% of the "public float", which is equal to the issued and outstanding common shares of Gear as at the date hereof (262,249,821 common shares) less the common shares held by directors and officers of Gear. The total number of common shares that Gear is permitted to purchase is subject to a daily purchase limit of 162,537 common shares, representing 25% of the average daily trading volume of 650,149 common shares on the TSX calculated for the six-month period ended January 31, 2024; however, Gear may make one block purchase per calendar week which exceeds the daily repurchase restrictions.

The 2024 NCIB is expected to commence on February 26, 2024 and will terminate on the earlier of: (i) the date on which the Company has acquired all common shares sought pursuant to the 2024 NCIB; or (ii) to February 25, 2025 unless earlier terminated at the option of the Company, upon prior notice being given to the TSX. The common shares will be purchased on behalf of Gear by a registered broker through the facilities of the TSX and through other alternative Canadian trading platforms at the prevailing market price at the time of such transaction. Pursuant to the terms of Gear's current credit facilities, common shares may only be purchased if Gear's Senior Debt to EBITDA Ratio (as defined herein) is less than 1.00:1.00, the credit facilities are less than 50% drawn, and the aggregate purchases (including any other distributions) for any fiscal year is no more than \$32 million.

The actual number of common shares purchased under the 2024 NCIB, the timing of purchases, and the price at which the common shares will be purchased, will depend on future market conditions.

METRICS

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

Table 2

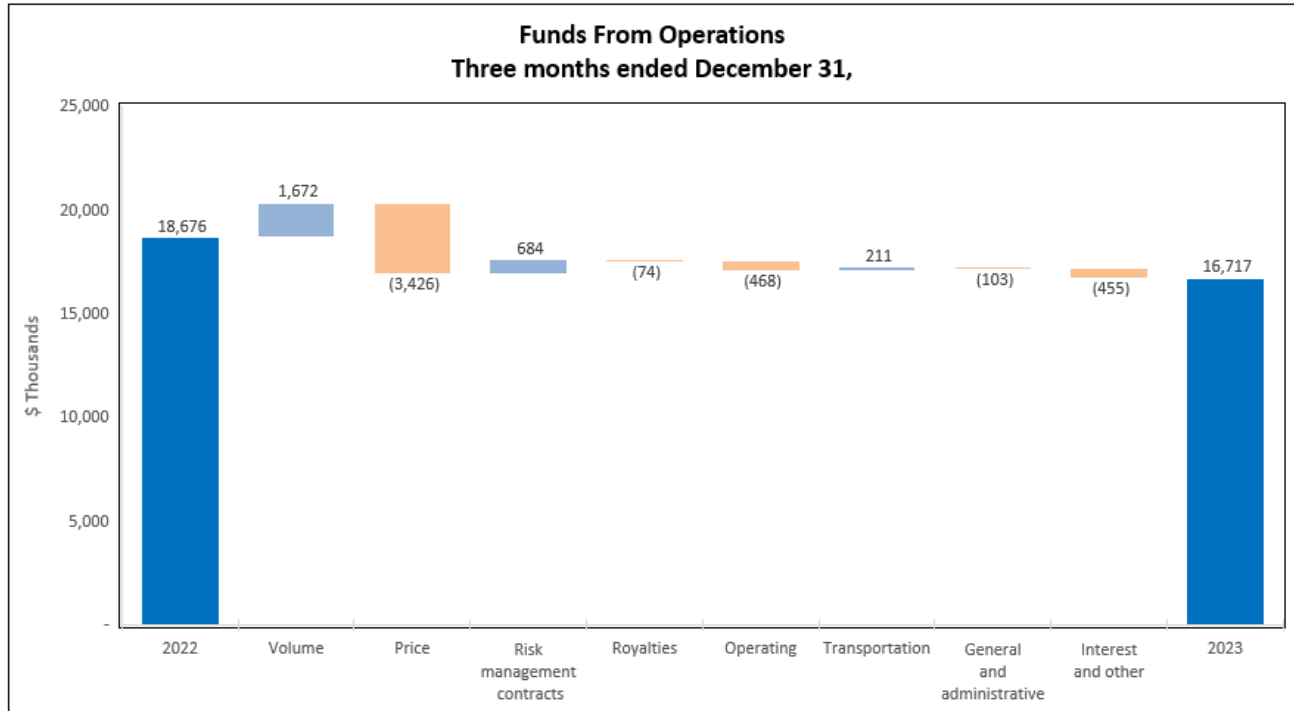
	Three months ended			Sep 30, 2023	Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change		Dec 31, 2023	Dec 31, 2022	% Change
Funds from operations per debt adjusted share ⁽¹⁾	0.059	0.072	(18)	0.075	0.247	0.349	(29)
Cash flows from operating activities per debt adjusted share ⁽¹⁾	0.063	0.072	(13)	0.063	0.232	0.335	(31)
Production, boepd per debt adjusted thousand shares ⁽¹⁾	0.021	0.022	(5)	0.020	0.021	0.021	-

(1) FFO 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.

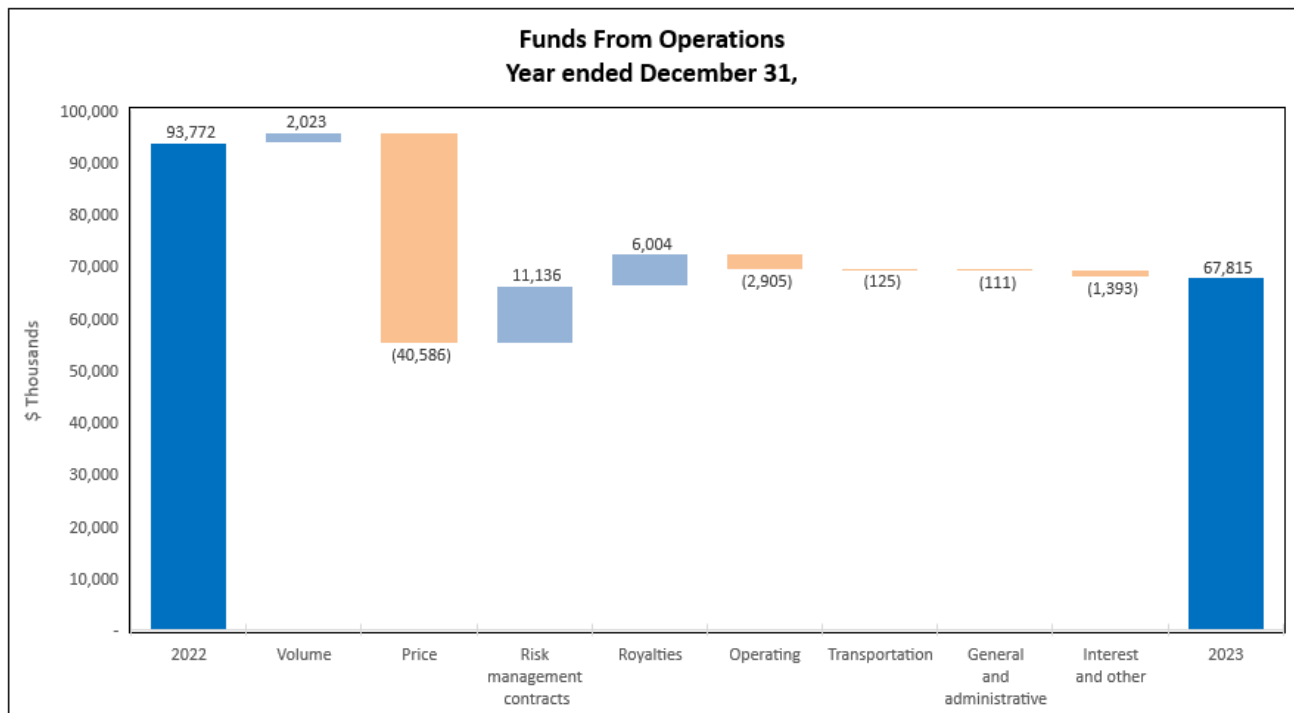
2023 FOURTH QUARTER FINANCIAL AND OPERATIONAL RESULTS

FFO and Cash Flows from Operating Activities

FFO decreased from \$18.7 million or \$35.27 per boe in the fourth quarter of 2022 to \$16.7 million or \$30.28 per boe in the fourth quarter of 2023. The decrease is the result of lower realized prices, increased operating, interest and other, general and administrative (“G&A”) costs and royalties, partially offset by higher production volumes, a realized gain on risk management contracts and decreased transportation costs.



On an annual basis, FFO decreased from \$93.8 million and \$44.77 per boe in 2022 to \$67.8 million and \$32.03 per boe in 2023. The decrease on an annual basis is the result of lower realized prices, increased operating, interest and other, transportation and G&A costs, partially offset by a realized gain on risk management contracts, decreased royalties and higher production volumes.



Cash flows from operating activities decreased from \$18.6 million or \$35.06 per boe in the fourth quarter of 2022 to \$17.8 million or \$32.27 per boe in the fourth quarter of 2023. The decrease is the result of lower realized prices, increased operating, interest and other, G&A costs and royalties and increased decommissioning liabilities settled, partially offset by higher production volumes, a realized gain on risk management contracts and decreased transportation costs.

On an annual basis, cash flows from operating activities decreased from \$89.8 million and \$42.85 per boe in 2022 to \$63.6 million and \$30.03 per boe in 2023. The decrease on an annual basis is the result of lower realized prices, increased operating, interest and other, transportation and G&A costs, partially offset by a realized gain on risk management contracts, decreased royalties, higher production volumes and decreased decommissioning liabilities settled.

Net income

Gear generated a net loss of \$7.1 million and net income of \$8.6 million for the quarter and year ended December 31, 2023 compared to a net income of \$27.7 million and \$75.0 million for same periods in 2022, respectively. The changes in net income are due to several factors discussed below, however the major factors were an impairment reversal and recognition of a deferred income tax recovery recorded in the fourth quarter of 2022 and the recognition of a deferred income tax expense in the fourth quarter of 2023. Net income decreased from \$8.2 million for the third quarter of 2023 to a net loss of \$7.1 million for the fourth quarter of 2023 due to the decrease in realized pricing and the recognition of a deferred income tax expense in the fourth quarter, partially offset by the decrease in unrealized loss on risk management contracts during the fourth quarter.

Production

Sales production volumes averaged 6,000 and 5,801 boe per day for the quarter and year ended December 31, 2023 compared to 5,755 and 5,739 boe per day for the same periods in 2022, respectively. During the quarter ended December 31, 2023, Gear drilled two gross (two net) light oil wells in Tableland, Saskatchewan, with both having strong exit production totaling over 400 boe per day for December 2023. During the year ended December 31, 2023, Gear drilled 14 gross (14 net) wells, with 13 of them on production. Sales production volumes increased during the quarter and year ended December 31, 2023 compared to the same periods in 2022 due to new wells drilled, improved weather from the fourth quarter of 2022, partially offset by natural well declines on Gear's base production and the disposition of a non-core heavy oil property in August 2023 which was producing approximately 120 boe per day.

Sales production volumes in the fourth quarter of 2023 averaged 6,000 boe per day, an increase from 5,511 boe per day in the third quarter of 2023. Production in the fourth quarter increased due to production from new wells drilled, partially offset by natural well declines on Gear's base production and the disposition of a non-core heavy oil property in August 2023.

Gear's oil inventory decreased from the third quarter to the fourth quarter of 2023, with approximately 123 thousand barrels of oil in inventory as at December 31, 2023.

Table 3

Production	Three months ended				Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Sep 30, 2023	Dec 31, 2023	Dec 31, 2022	% Change
Liquids (bbl/d)							
Heavy oil (bbl/d)	2,937	2,772	6	2,601	2,743	2,760	(1)
Light and medium oil (bbl/d)	1,920	1,835	5	1,890	1,952	1,842	6
Natural gas liquids (bbl/d)	327	299	9	233	283	283	-
Total liquids (bbl/d)	5,184	4,906	6	4,724	4,978	4,885	2
Natural gas (mcf/d)	4,893	5,091	(4)	4,720	4,938	5,124	(4)
Total production (boe/d) ⁽¹⁾	6,000	5,755	4	5,511	5,801	5,739	1
% Liquids production	86	85	1	86	86	85	1
% Natural gas production	14	15	(7)	14	14	15	(7)

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

Petroleum and natural gas sales ("Sales")

For the quarter and year ended December 31, 2023, sales of crude oil, natural gas and natural gas liquids ("NGLs") totaled \$37.5 million and \$148.7 million compared to \$39.3 million and \$187.3 million for the same periods in 2022 and \$41.4 million for the previous quarter. These decreases are mainly due to a decrease in realized pricing, partially offset by an increase in production volumes.

A breakdown of sales by product is outlined in Table 4:

Table 4

Sales by product (\$ thousands)	Three months ended				Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Sep 30, 2023	Dec 31, 2023	Dec 31, 2022	% Change
Heavy oil	19,115	17,783	7	21,450	72,690	93,504	(22)
Light and medium oil	16,080	17,492	(8)	17,813	66,714	77,113	(13)
Natural gas liquids	1,334	1,608	(17)	1,000	4,700	6,547	(28)
Natural gas	995	2,395	(58)	1,146	4,610	10,113	(54)
Total petroleum and natural gas sales	37,524	39,278	(4)	41,409	148,714	187,277	(21)

Commodity Prices

Table 5

Average benchmark prices	Three months ended				Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Sep 30, 2023	Dec 31, 2023	Dec 31, 2022	% Change
WTI oil (US\$/bbl) ⁽¹⁾	78.32	82.65	(5)	82.26	77.62	94.23	(18)
WCS heavy oil (Cdn\$/bbl) ⁽²⁾	76.89	77.71	(1)	93.02	79.58	98.94	(20)
Canadian Light Sweet ⁽³⁾ (Cdn\$/bbl)	99.63	110.04	(9)	107.85	100.42	120.24	(16)
LSB (Cdn\$/bbl) ⁽⁴⁾	97.11	105.99	(8)	106.63	97.92	118.15	(17)
AECO natural gas (\$/mcf) ⁽⁵⁾	2.30	5.07	(55)	2.59	2.64	5.26	(50)
Cdn\$ / US\$ exchange rate	1.36	1.36	-	1.34	1.35	1.30	4
Gear realized prices							
Heavy oil (\$/bbl)	70.74	69.72	1	89.65	72.60	92.80	(22)
Light and medium oil (\$/bbl)	91.01	103.62	(12)	102.43	93.63	114.67	(18)
Natural gas liquids (\$/bbl)	44.44	58.48	(24)	46.53	45.55	63.38	(28)
Natural gas (\$/mcf)	2.21	5.11	(57)	2.64	2.56	5.41	(53)
Realized price before risk management contracts (\$/boe)	67.98	74.19	(8)	81.67	70.23	89.40	(21)
Realized risk management gain (loss) (\$/boe)	1.24	-	100	1.00	1.12	(4.18)	-
Realized price after risk management contracts (\$/boe)	69.22	74.19	(7)	82.67	71.35	85.22	(16)

(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 fourth quarter of 2023, US denominated WTI prices decreased by five per cent over the same period in 2022, with the WCS differential narrowing and the LSB and Canadian Light Sweet differentials widening. These pricing movements resulted in a decrease in Gear's realized pricing from \$74.19 per boe to \$67.98 per boe.

On an annual basis, WTI decreased by 18 per cent from US\$94.23 per barrel in 2022 to US\$77.62 per barrel in 2023, with the WCS, Canadian Light Sweet and LSB differentials widening. These pricing movements resulted in a decrease in Gear's realized pricing from \$89.40 per boe to \$70.23 per boe.

Quarter over quarter, Gear's realized pricing decreased from \$81.67 per boe to \$67.98 per boe as a result of weaker WTI prices and widening WCS, Canadian Light Sweet and LSB differentials.

Royalties

For the quarter and year ended December 31, 2023, royalties as a percentage of commodity sales were 14.9 and 12.7 per cent, respectively, compared to 14.0 and 13.3 per cent for the same periods in 2022 and 11.9 per cent for the previous quarter. Year over year, decreases are the result of the decrease in commodity prices which have led to lower crown royalty rates that change depending on price levels. The increase in royalties as a percentage of commodity sales in the fourth quarter of 2023 was due to existing wells reaching higher royalty tiers as well as new wells drilled having higher royalty rates due to the mix of royalty encumbrances associated to them.

Table 6

Royalty expense (\$ thousands except % and per boe)	Three months ended			Year ended			
	Dec 31, 2023	Dec 31, 2022	% Change	Sep 30, 2023	Dec 31, 2023	Dec 31, 2022	% Change
Royalty expense	5,578	5,504	1	4,941	18,895	24,899	(24)
Royalty expense as a % of sales	14.9	14.0	6	11.9	12.7	13.3	(5)
Royalty expense per boe	10.11	10.40	(3)	9.74	8.92	11.89	(25)

Operating and Transportation Expenses

Operating costs for the quarter ended December 31, 2023 were \$21.52 per boe, consistent with \$21.55 per boe for the same period in 2022. Operating costs for the year ended December 31, 2023 were \$22.25 per boe compared to \$21.10 per boe for the same period in 2022. This increase is primarily a result of general inflationary pressures on the business. Operating costs decreased from \$23.57 per boe for the previous quarter to \$21.52 per boe for the fourth quarter of 2023 mainly due to decreased maintenance and well servicing during the fourth quarter.

Transportation expense for the quarter and year ended December 31, 2023 was \$3.48 and \$3.69 per boe compared to \$4.03 and \$3.67 per boe for the same periods in 2022 and \$3.28 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 year ended December 31, 2023, Gear incurred \$0.8 million or \$0.38 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 quarter and year ended December 31, 2022, Gear incurred \$0.9 million or \$1.62 per boe and \$2.9 million or \$1.39 per boe, respectively, of transportation fees associated with this system.

Excluding the impact of the gas gathering system, transportation expense for the quarter and year ended December 31, 2023 was \$3.48 and \$3.31 per boe compared to \$2.41 and \$2.28 per boe for the same periods in 2022 and \$3.28 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 expenses. During the year ended December 31, 2023, Gear was able to slightly reduce transportation costs due to product mix changes.

Table 7 below summarizes the operating and transportation expenses:

Table 7

Operating and transportation expenses (\$ thousands except per boe)	Three months ended			Year ended			
	Dec 31, 2023	Dec 31, 2022	% Change	Sep 30, 2023	Dec 31, 2023	Dec 31, 2022	% Change
Operating expense	11,879	11,411	4	11,952	47,112	44,207	7
Transportation expense	1,921	2,132	(10)	1,661	7,821	7,696	2
Operating and transportation expense	13,800	13,543	2	13,613	54,933	51,903	6
Operating expense per boe	21.52	21.55	-	23.57	22.25	21.10	5
Transportation expense per boe	3.48	4.03	(14)	3.28	3.69	3.67	1
Operating and transportation expense per boe	25.00	25.58	(2)	26.85	25.94	24.77	5

Table 8 below is a breakdown of transportation expenses:

Table 8

Transportation expenses (\$ thousands except per boe)	Three months ended			Year ended			
	Dec 31, 2023	Dec 31, 2022	% Change	Sep 30, 2023	Dec 31, 2023	Dec 31, 2022	% Change
Transportation - commitment	-	859	(100)	-	801	2,925	(73)
Transportation	1,921	1,273	51	1,661	7,020	4,771	47
Transportation expense	1,921	2,132	(10)	1,661	7,821	7,696	2
Transportation per boe - commitment	-	1.62	(100)	-	0.38	1.39	(73)
Transportation per boe	3.48	2.41	44	3.28	3.31	2.28	45
Transportation expense per boe	3.48	4.03	(14)	3.28	3.69	3.67	1

Operating Netbacks

For the quarter ended December 31, 2023, Gear's operating netback prior to risk management contracts was \$32.87 per boe compared to \$38.21 per boe for the same period in 2022. The decrease was primarily the result of decreased realized prices, offset by lower royalties and operating and transportation costs. For the year ended December 31, 2023, Gear's operating netback prior to risk management contracts was \$35.37 per boe compared to \$52.74 per boe for 2022. Year over

year, the decrease in operating netback was primarily the result of decreased realized prices, higher operating and transportation costs, partially offset by decreased royalties.

Quarter over quarter, Gear's operating netback decreased from \$45.08 per boe to \$32.87 per boe mainly due to decreased realized prices, higher royalties and transportation costs, offset by a decrease in operating costs.

The components of operating netbacks are summarized in Table 9:

Table 9

Operating netback ⁽¹⁾ (\$ per boe)	Three months ended				Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Sep 30, 2023	Dec 31, 2023	Dec 31, 2022	% Change
Sales	67.98	74.19	(8)	81.67	70.23	89.40	(21)
Royalties	(10.11)	(10.40)	(3)	(9.74)	(8.92)	(11.89)	(25)
Operating costs	(21.52)	(21.55)	-	(23.57)	(22.25)	(21.10)	5
Transportation costs	(3.48)	(4.03)	(14)	(3.28)	(3.69)	(3.67)	1
Operating netback ⁽¹⁾	32.87	38.21	(14)	45.08	35.37	52.74	(33)

(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.

G&A Expenses and Share-based Compensation ("SBC")

G&A expenses for the quarter ended December 31, 2023 totaled \$1.5 million compared to \$1.4 million for the same period in 2022. The majority of this increase was due to an increase in personnel costs. G&A expenses for the year ended December 31, 2023 totaled \$7.2 million compared to \$7.1 million for the same period in 2022. This increase was mainly due to non-recurring consulting and professional fees incurred during 2023. For the quarter and year ended December 31, 2023, Gear capitalized \$0.3 million and \$1.8 million of G&A, consistent with the same periods in 2022. For the quarter and year ended December 31, 2023, G&A on a per boe basis was \$2.70 and \$3.40 per boe compared to \$2.62 and \$3.39 per boe for the same periods in 2022.

The decrease in G&A expenses in the fourth quarter of 2023 compared to the previous quarter was due to non-recurring consulting and professional fees incurred in the previous quarter. Gear capitalized \$0.3 million in G&A for fourth quarter of 2023 compared to \$0.4 million in the previous quarter. G&A on a per boe basis was \$2.70 per boe during the fourth quarter of 2023 compared to \$3.45 per boe for the previous quarter.

Table 10 is a breakdown of G&A and SBC expense:

Table 10

G&A and SBC expense (\$ thousands except per boe)	Three months ended				Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Sep 30, 2023	Dec 31, 2023	Dec 31, 2022	% Change
G&A, before recoveries and capitalized G&A	1,889	1,804	5	2,204	9,297	9,217	1
Overhead recoveries	(50)	(82)	(39)	(66)	(253)	(338)	(25)
Capitalized G&A	(348)	(334)	4	(388)	(1,837)	(1,783)	3
G&A	1,491	1,388	7	1,750	7,207	7,096	2
SBC expense	350	320	9	376	1,412	1,055	34
G&A per boe	2.70	2.62	3	3.45	3.40	3.39	-
SBC expense per boe	0.63	0.60	5	0.74	0.67	0.50	34

SBC is related to the granting of stock options. During the year ended December 31, 2023, there were 5.6 million options granted at an average price of \$1.00 per share. In addition, 3.3 million options were exercised at an average exercise price of \$0.54, 1.3 million options expired at an average exercise price of \$1.41 and 0.9 million options were forfeited at an average exercise price of \$1.02. As at December 31, 2023 and the date of this MD&A, a total of 17.0 million options with a weighted average exercise price of \$1.05 per share were outstanding, representing approximately 6.5 per cent of the 262.3 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 Audited Consolidated Financial Statements.

Interest and Other

Interest and other totaled \$0.6 million and \$2.2 million for the quarter and year ended December 31, 2023 compared to \$0.2 million and \$0.8 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 below) 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 quarter and year ended December 31, 2023.

Table 11 is a breakdown of interest and other:

Table 11

Interest and other (\$ thousands except per boe)	Three months ended				Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Sep 30, 2023	Dec 31, 2023	Dec 31, 2022	% Change
Interest expense	477	60	695	491	1,750	630	178
Financing charges	75	37	103	75	236	154	53
Standby fees	69	79	(13)	67	243	249	(2)
Realized loss (gain) on foreign exchange	1	(9)	-	-	4	(193)	-
Interest and other	622	167	272	633	2,233	840	166
Interest and other per boe	1.13	0.32	253	1.25	1.06	0.40	165

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 FFO 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. 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 quarter and year ended December 31, 2023, Gear realized gains on risk management contracts of \$0.7 million and \$2.4 million compared to realized losses of \$nil and \$8.8 million for the same periods in 2022 and a realized gain of \$0.5 million for the previous quarter. There were no risk management contracts in place as at December 31, 2023.

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

DD&A during the quarter and year ended December 31, 2023 was 20.46 per boe and \$20.28 per boe compared to \$18.25 per boe and \$17.84 per boe for 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 quarter and year ended December 31, 2023, \$nil and \$37 thousand in abandonment expenditures, respectively, were funded by the government, as compared to \$0.5 million and \$1.2 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 \$20.80 per boe in the previous quarter compared to \$20.46 per boe in the fourth quarter of 2023.

As at December 31, 2023, no indicators of impairment were identified related to Gear’s Cash-Generating Units (“CGU”). As a result of this assessment, impairment tests were not performed.

As at December 31, 2022, indicators of an impairment reversal were identified on Gear’s 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 7 “Property, Plant and Equipment and Impairment” in the notes to the Audited Consolidated Financial Statements. As future commodity prices remain volatile, impairment charges or recoveries could be recorded in future periods.

As at December 31, 2023 and December 31, 2022, Gear recorded oil inventory valued at its production cost. No impairments on inventory were recorded in 2023 and 2022. For additional information see Note 6 “Inventory” in the notes to the Audited Consolidated Financial Statements.

Table 12 is a breakdown of DD&A expenses and impairment:

Table 12

DD&A rate (\$ thousands except per boe)	Three months ended				Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Sep 30, 2023	Dec 31, 2023	Dec 31, 2022	% Change
DD&A	11,294	9,663	17	10,544	42,943	37,370	15
Total DD&A rate per boe	20.46	18.25	12	20.80	20.28	17.84	14
Impairment reversal	-	(10,023)	(100)	-	-	(10,023)	(100)

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 December 31, 2023, a deferred tax asset in the amount of \$29.6 million was recognized, and \$64.6 million remains unrecognized, as Management did not find it probable that the benefit will be realized. As at December 31, 2022, Management did not recognize a deferred tax asset of \$58.3 million. Included in this tax basis are estimated non-capital loss carry forwards that expire in the years 2027 through 2043. For the year ended December 31, 2023, Gear recognized a deferred income tax expense of \$11.5 million compared to a deferred income tax recovery of \$8.2 million for the same period in 2022. No cash income taxes were paid in 2023 and 2022.

A breakdown of estimated tax pools is shown in Table 13:

Table 13

(\$ thousands)	December 31, 2023	December 31, 2022
Canadian oil and gas property expenses	118,608	116,504
Canadian development expenses	119,915	163,314
Canadian exploration expenses	28,532	28,419
Undepreciated capital cost	47,674	52,096
Non-capital losses	302,551	270,262
Other	38	14
Estimated realizable tax pools, federal and provincial	617,318	630,609

Capital Expenditures, Acquisitions and Dispositions

Capital expenditures, including acquisitions and dispositions for the quarter and year ended December 31, 2023 were \$10.8 million and \$48.5 million, compared to \$18.9 million and \$50.5 million in the same periods in 2022 and \$12.4 million in the previous quarter. During the fourth quarter of 2023, Gear drilled two gross (two net) light oil multistage fractured wells in Tableland, Saskatchewan. During 2023, Gear invested \$2.2 million in undeveloped land primarily in the Lloydminster heavy oil fairway with a total of 10 sections of land acquired with future prospectivity over numerous stacked Mannville horizons. Gear plans to commence drilling on these lands in 2024.

Year to date, Gear drilled 14 gross (14 net) oil wells including three single leg lined heavy oil wells in Maidstone, Saskatchewan, three multi-lateral unlined heavy oil wells in Wildmere, Alberta, two single leg lined heavy oil wells in Celtic, Saskatchewan, 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 fourth quarter of 2023. Of the new drills, all were rig released and producing during part of the year 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. Capital and abandonment expenditures for 2023 were \$54 million compared to the \$50 million guidance for 2023. Spending in the fourth quarter of 2023 included additional spending in anticipation of the 2024 drill program as well as additional spending on abandonment and reclamation work.

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 14:

Table 14

Capital expenditures (\$ thousands)	Three months ended				Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Sep 30, 2023	Dec 31, 2023	Dec 31, 2022	% Change
Drilling and completions	8,064	14,064	(43)	9,659	33,385	38,194	(13)
Production equipment and facilities	2,530	4,248	(40)	2,199	12,043	10,986	10
Geological and geophysical	38	145	(74)	100	378	232	63
Undeveloped land	82	399	(79)	16	2,154	945	128
Other	37	43	(14)	34	161	192	(16)
Total capital expenditures	10,751	18,899	(43)	12,008	48,121	50,549	(5)
Property acquisitions and dispositions, net	-	-	-	398	398	-	100
Total capital expenditures and net acquisitions and dispositions	10,751	18,899	(43)	12,406	48,519	50,549	(4)

Decommissioning Liability

At December 31, 2023, Gear recorded a decommissioning liability of \$66.1 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 3.02 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 abandonment activities during 2023 and dispositions made during the year, partially offset by the decrease in the discount factor and new wells drilled by Gear. Decommissioning liabilities settled by Gear during the year ended December 31, 2023 were \$6.1 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 fourth quarter of 2023, Gear spent \$2.6 million of decommissioning expenditures to cut and cap 25 gross (25 net) wells, downhole abandon 14 gross (13.8 net) wells and substantially complete the reclamation of 13 gross (13 net) wells in Alberta and cut and cap 1 gross (1 net) well and substantially complete the reclamation of 17 gross (17 net) wells in Saskatchewan.

During the year ended December 31, 2023, as a result of combined efforts of both Gear and the SRP, the combined \$6.1 million of decommissioning expenditures allowed Gear to cut and cap 71 gross (69.0 net) wells, downhole abandon 76 gross (73.8 net) wells and substantially complete the reclamation of 15 gross (15 net) wells in Alberta and cut and cap 21 gross (20.5 net) wells, downhole abandon 3 gross (2.5 net) wells and substantially complete the reclamation of 19 gross (19 net) wells in Saskatchewan.

Capitalization, Financial Resources and Liquidity

A breakdown of Gear’s capital structure is outlined in Table 15:

Table 15

Debt (\$ thousands except ratio amounts)	Dec 31, 2023	Dec 31, 2022
Net debt ⁽¹⁾	(14,099)	(2,220)
Net debt to funds from operations ⁽¹⁾	0.2	0.0
Net debt to quarterly annualized funds from operations ⁽¹⁾	0.2	0.0
Common shares outstanding	262,250	260,693

⁽¹⁾ Net debt, net debt to FFO and net debt to quarterly annualized FFO 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 FFO as at December 31, 2023. Net debt increased from \$2.2 million at December 31, 2022 to \$14.1 million at December 31, 2023. During 2023, Gear had a \$14.0 million draw on its Credit Facilities. Gear’s net debt increased from \$13.3 million at September 30, 2023 to \$14.1 million at December 31, 2023 as a result of lower commodity prices, partially offset by decreased capital investment during the fourth quarter.

Credit Facilities

In November 2023, Gear completed its semi-annual borrowing base redetermination with no changes to its credit facilities (the “Credit Facilities”).

Table 16 shows a breakdown of Gear’s Credit Facilities:

Table 16

Facility (\$ millions)	Borrowing base		Maturity Date
	Dec 31, 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 December 31, 2023 Gear had \$21.2 million drawn on the Credit Facilities (December 31, 2022 – \$7.1 million) and outstanding letters of credit of \$0.9 million (December 31, 2022 – \$0.9 million). At December 31, 2023 and December 31, 2022, Gear’s debt was classified as long term. The Credit Facilities do not carry any financial covenants.

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 ("2022 NCIB") by the TSX. The 2022 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 2022 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 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 December 31, 2023 and the date of this MD&A, Gear had 262.3 million common shares outstanding. The increase from December 31, 2022 is due to stock option exercises in 2023. At December 31, 2022, Gear had 260.7 million common shares outstanding.

Table 17 shows Gear's trading statistics:

Table 17

Trading statistics	Three months ended			Year ended	
	Dec 31, 2023	Dec 31, 2022	Sep 30, 2023	Dec 31, 2023	Dec 31, 2022
(\$ based on intra-day trading)					
High	0.89	1.45	1.04	1.17	1.94
Low	0.62	0.99	0.78	0.62	0.90
Close	0.64	1.13	0.88	0.64	1.13
Average daily volume (thousands)	1,418	3,149	2,029	2,084	4,063

As at December 31, 2023 and the date of this MD&A, a total of 17.0 million options were outstanding with a weighted average exercise price of \$1.05 per share. Each option entitles the holder to acquire one Gear common share.

Dividends

Table 18 shows a breakdown of Gear's Dividends:

Table 18

Declaration date	Record date	Payment date	Dividends per common share	Dividends (\$ thousands)
May 4, 2022	May 16, 2022	May 30, 2022	\$ 0.01	\$ 2,610
July 27, 2022	August 15, 2022	August 31, 2022	0.02	5,164
September 1, 2022	September 15, 2022	September 30, 2022	0.01	2,587
October 3, 2022	October 17, 2022	October 31, 2022	0.01	2,597
November 1, 2022	November 15, 2022	November 30, 2022	0.01	2,597
December 1, 2022	December 15, 2022	December 30, 2022	0.01	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
October 2, 2023	October 16, 2023	October 31, 2023	0.005	1,311
November 1, 2023	November 15, 2023	November 30, 2023	0.005	1,311
December 1, 2023	December 15, 2023	December 29, 2023	0.005	1,311
Total for the year ended December 31, 2023			0.095	\$ 24,852

During the quarter and year ended December 31, 2023, Gear declared \$3.9 million and \$24.9 million in dividends, respectively, compared to \$7.8 million and \$18.2 million for the same periods in 2022.

Subsequent to period end, on January 2, 2024, Gear declared a monthly dividend of \$0.005 per common share, designated as an eligible dividend, payable in cash to shareholders of record on January 15, 2024. The dividend was paid January 31, 2024.

Subsequent to period end, on February 1, 2024, Gear declared a monthly dividend of \$0.005 per common share, designated as an eligible dividend, payable in cash to shareholders of record on February 15, 2024. The dividend payment date is scheduled for February 29, 2024.

Environmental, Social, and Governance (“ESG”) 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 2024 is to abandon over 90 wells and substantially complete the reclamation of over 15 wells. Through the course of 2023, Gear abandoned over five times as many wells as drilled over the same period. During the quarter, Gear cut and capped 25 gross (25 net) wells, downhole abandoned 14 gross (13.8 net) wells and substantially completed the reclamation of 13 gross (13 net) wells in Alberta and cut and capped 1 gross (1 net) well and substantially completed the reclamation of 17 gross (17 net) wells in Saskatchewan. During the year ended December 31, 2023, Gear cut and capped 71 gross (69.0 net) wells, downhole abandoned 76 gross (73.8 net) wells and substantially completed the reclamation of 15 gross (15 net) wells in Alberta, and cut and capped 21 gross (20.5 net) wells, downhole abandoned 3 gross (2.5 net) wells and substantially completed the reclamation of 19 gross (19 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 of Directors. All these documents are posted on the Gear website at <https://gearenergy.com/governance/>. These documents, among others, including the Board of Directors 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 the Board of Directors, 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 FFO 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 December 31, 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 March 31, 2027. The remaining commitment for these lease agreements is \$1.1 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 17 "Commitments and Contingencies" in the notes to the Audited 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.

Related Party Transactions

Other than the payment of compensation to key management personnel, the Corporation has not entered into any related party transactions. For further information see Note 18 "Related Party Transactions" in the notes to the Audited Consolidated Financial Statements.

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 years ended December 31, 2023 and 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, finance dividends and/or repurchase common shares under the Company's 2024 NCIB, if the Company chooses to do so.

Table 19 below reconciles cash flows from operating activities to funds from operations:

Table 19

(\$ thousands)	Three months ended			Year ended	
	Dec 31, 2023	Dec 31, 2022	Sep 30, 2023	Dec 31, 2023	Dec 31, 2022
Cash flows from operating activities	17,813	18,565	17,532	63,589	89,769
Decommissioning liabilities settled ⁽¹⁾	2,560	1,417	2,202	6,115	6,288
Change in non-cash operating working capital	(3,656)	(1,306)	1,244	(1,889)	(2,285)
Funds from operations	16,717	18,676	20,978	67,815	93,772

(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, finance dividends and/or repurchase common shares under the Company's 2024 NCIB, if the Company chooses to do so.

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, finance dividends and/or repurchase common shares under the Company's 2024 NCIB, if the Company chooses to do so.

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, finance dividends and/or repurchase common shares under the Company's 2024 NCIB, if the Company chooses to do so.

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, dividends paid and equity repurchases pursuant to the 2024 NCIB, if the Company chooses to do so.

Table 20 below reconciles debt to net debt:

Table 20

Capital structure and liquidity (\$ thousands)	Dec 31, 2023	Dec 31, 2022
Debt	(21,155)	(7,123)
Working capital surplus ⁽¹⁾	7,056	4,903
Net debt	(14,099)	(2,220)

(1) Excludes risk management contracts and decommissioning liabilities.

At December 31, 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 funds from operations

Net debt to 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 year. Gear uses net debt to funds from operations to analyze financial and operating performance. Gear considers this a key measure for management and investors as it demonstrates the Company's ability to pay off its debt and take on new debt, if necessary, using the most recent annual results. When the Company is in a net surplus position, the Company's net debt to 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 21 below reconciles weighted average basic shares to debt adjusted shares:

Table 21

(thousands, except per share amounts)	Three months ended			Year ended	
	Dec 31, 2023	Dec 31, 2022	Sep 30, 2023	Dec 31, 2023	Dec 31, 2022
Weighted average basic shares	262,247	259,908	262,139	261,725	259,791
Average share price ⁽¹⁾	0.65	1.06	0.86	0.65	1.06
Average net (debt) surplus ⁽²⁾	(13,698)	2,370	(13,810)	(8,160)	(9,025)
Share equivalent on average net (debt) surplus ⁽³⁾	21,074	(2,236)	16,058	12,554	8,514
Debt adjusted shares	283,321	257,672	278,197	274,279	268,305

(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 quarters and years 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, finance dividends and/or repurchase common shares under the Company's 2024 NCIB, if the Company chooses to do so.

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, finance dividends and/or repurchase common shares under the Company's 2024 NCIB, if the Company chooses to do so.

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 5 "Management Judgments and Estimation Uncertainty" in the audited Financial Statements for the year ended December 31, 2023.

Risk Factors

The Gear management team is focused on long-term strategic planning and has identified the key risks, uncertainties and opportunities associated with Gear's business that can impact the financial results. They include, but are not limited to, the items listed below. In addition to the risks identified below please see the risks outlined in Gear's most recent annual information form which is available on SEDAR+ at www.sedarplus.ca.

Prices, Markets and Marketing

Gear's operational results and financial condition, and therefore the amount of capital expenditures, are dependent on the prices received for oil, natural gas and NGLs production. Prices for oil, natural gas and NGLs are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil, natural gas and NGLs, market uncertainty and a variety of additional factors beyond the control of the Company. A material decline in prices could result in a reduction of net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil, natural gas or NGLs and a reduction in the volumes of Gear's reserves. Management might also elect not to produce from certain wells at lower prices as it did in 2020.

Gear's ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines or rail cars that deliver oil and natural gas to commercial markets. Deliverability uncertainties related to the distance that Gear's reserves are to pipelines, processing and storage facilities, operational problems affecting pipelines and facilities as well as government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business may also affect the Company.

These factors could result in a material decrease in Gear's expected net production revenue and a reduction in its oil and natural gas acquisition, development and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Company's carrying value of its assets and its borrowing capacity, revenues, profitability and funds from operations. To offset these risks, Gear may enter into various risk management contracts for 2024 which allows for downside protection on WTI yet still allows for participation in WTI price appreciation with the use of wide collars and bought put contracts.

Inflation and Rising Interest Rates

Recently, Canada, the United States and other countries have experienced high levels of inflation, supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs and commodity prices, and additional government intervention through stimulus spending and additional regulations. These factors have increased the operating costs of the Company. Gear's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

The cost or availability of oil and gas field equipment may adversely affect the Corporation's ability to undertake exploration, development and construction projects. The oil and natural gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available at reasonable prices when required. A failure to secure the services and equipment necessary to the Corporation's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Corporation's financial performance and cash flows.

In addition, many central banks including the Bank of Canada and U.S. Federal Reserve have taken steps to raise interest rates in an attempt to combat inflation. The rise in interest rates has impacted Gear's borrowing costs. The increase in borrowing costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows of Gear. Rising interest rates could also result in a recession in Canada, the United States or other countries. A recession may have a negative impact on demand for oil and natural gas, causing a decrease in commodity prices. A decrease in commodity prices would immediately impact the Company's revenues and cash flows and could also reduce drilling activity on the Company's properties. It is unknown how long inflation will continue to impact the economies of Canada and the United States and how inflation and rising interest rates will impact oil and gas demand and commodity prices.

Operational Matters

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees. Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, and spills or other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment and personal injury. As is standard industry practice, Gear is not fully insured against all risks, nor are all risks insurable. Although Gear maintains liability insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event, the Company could incur significant costs.

Refinancing

Gear currently has \$50.0 million in Credit Facilities with a revolving maturity date of May 25, 2025. The lenders review the Credit Facilities at a minimum twice a year (also known as a redetermination) to review primarily the amount available under the Credit Facilities (also known as the borrowing base) and to also decide if they will extend the revolving facilities for another year. In the event that the Credit Facilities are not extended, indebtedness under the Credit Facilities will become repayable at May 25, 2025 (or a year after the end of the revolving period). More immediate, however, is the risk that lenders redetermine a borrowing base below the amount that Gear has already drawn on its Credit Facilities (a "borrowing base shortfall"). Such a borrowing base shortfall must be eliminated within 30 days. If Gear is unable to eliminate the borrowing base shortfall, the lenders may demand immediate repayment of all amounts borrowed under the Credit Facilities. Any of these events could affect Gear's ability to fund ongoing operations. The next scheduled review is on or about May 31, 2024.

Reserve Estimates

The reserves and recovery information contained in Gear's independent reserves evaluation is only an estimate. The actual production and ultimate reserves from the properties may be greater or less than the estimates prepared by the independent reserves evaluator. The reserves report was prepared using certain commodity price assumptions. If lower prices for crude oil, natural gas and NGLs are realized by Gear and substituted for the price assumptions utilized in those reserves reports, the present value of estimated future net cash flows as well as the amount of the reserves would be reduced and the reduction could be significant.

Acquisitions

The price paid for acquisitions is based on engineering and economic estimates of the potential reserves made by independent engineers modified to reflect the technical views of management. These assessments include a number of material assumptions regarding such factors as recoverability and marketability of oil, natural gas, and NGLs, future prices of oil, natural gas and NGLs, and operating costs, future capital expenditures and royalties and other government levies that will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of management. In particular, changes in the prices of and markets for oil, natural gas and NGLs from those anticipated at the time of making such assessments will affect the value of Gear's shares. In addition, all such estimates involve a measure of geological and engineering uncertainty that could result in lower production and reserves. Actual reserves could vary materially from these estimates.

Royalty Regimes

The federal government and the provincial governments of the western provinces may adopt new royalty regimes or modify the existing ones, which may affect the economic viability of the Company's projects. An increase in royalties will reduce Gear's earnings and could make future capital investments, or operations, less economic.

Variations in Foreign Exchange Rates and Interest Rates

The majority of world commodity prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar negatively affects production revenues. Future Canadian/United States exchange rates could accordingly affect the future value of reserves as determined by independent evaluators.

An increase in interest rates could result in a significant increase in the amount Gear pays to service debt, resulting in a reduced amount of funds available to fund its exploration and development activities.

Third Party Credit Risk

Gear assumes customer credit risk associated with oil and gas sales, financial risk management contracts and joint venture participants. In the event that Gear's counterparties default on payments to Gear, cash flows will be impacted. A diversified customer base is maintained and exposure to individual entities is reviewed on a regular basis.

Environmental Regulation

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, the initiation and approval of new oil and natural gas projects, and restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation

also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Although Gear believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on Gear's business, financial condition, results of operations and prospects.

Project Risks

Gear manages a variety of small and large projects. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. Gear's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Company's control, including:

- commodity prices and oil differentials;
- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing, or Gear's ability to dispose of water used or removed from strata at a reasonable cost and within applicable environmental regulations;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour;
- political uncertainty;
- environmental and Indigenous activism that may result in delays or cancellations of projects; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, Gear could be unable to execute projects on time, on budget, or at all, and may be unable to market the oil and natural gas that the Company produces.

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.

The Chief Executive Officer and the Chief Financial Officer of Gear evaluated the effectiveness of the design and operation of the Company's DC&P. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Gear's DC&P were effective as at December 31, 2023.

Internal Controls 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 December 31, 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").

Under the supervision of the Chief Executive Officer and the Chief Financial Officer, Gear conducted an evaluation of the effectiveness of the Company's ICFR as at December 31, 2023 based on the COSO Framework. Based on this evaluation, the officers concluded that as of December 31, 2023, Gear maintained effective ICFR. It should be noted that while Gear's officers believe that the Company's controls provide a reasonable level of assurance with regard to their effectiveness, they do not expect that the DC&P and ICFR will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met.

There were no changes in Gear's ICFR during the three months ended December 31, 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 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 competitive returns while maintaining a strong balance sheet; Gear's expectation of the Trans Mountain pipeline expansion to be commissioned in 2024 and the resulting impacts and expected benefits thereof; Gear's intention to invest in further production growth opportunities in 2024; guidance including expected 2024 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 2024 guidance to include the drilling of 4 wells in the first quarter; Gear's forecasts and expectations of various factors on commodity prices and differentials; Gear's forecasting of 2024 funds from operations based on various commodity prices; Gear's forecasts relating to its monthly dividend and the effect of increasing or decreasing commodity prices on same; Gear's expectation that at a \$75 WTI per barrel price FFO would equal the 2024 forecasted capital and abandonment expenditures of \$57.0 million and the current annualized dividend; Gear's forecast of future drilling locations; Gear's expectation that any future increase in commodity prices beyond the base assumptions presented herein will provide incremental FFO less capital and abandonment expenditures and dividends which may be dedicated to potential future capital expansions, cash funded acquisitions, share buybacks and/or future dividend increases; Gear's expectation that any future decrease in commodity prices may result in incremental debt, potential capital adjustments and/or future dividend reductions; Gear's expectations and beliefs relating to the 2024 NCIB including commencement and termination dates and reasons for the 2024 NCIB; Gear's intended hedging strategy for 2024; Gear's expectations of being able to utilize its tax pools; Gear's plans to commence drilling on undeveloped land in the Lloydminster area; Gear's estimate of its decommissioning liabilities; Gear's expected abandonment and reclamation plans for 2024; Gear's plans and expectations with respect to reducing methane and other emissions; Gear's expectations with respect to the effect that various environmental regulations may have on its operations; 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: 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 impacts of wars and conflicts (including the Russian Ukrainian war and the Israel-Palestine war), pandemics, political events, natural disasters and terrorism; and the impact of competitors. In addition, any future share buybacks or any other distributions to shareholders will depend on the Board of Directors of Gear determining that such actions are in the best interests of the Company. Gear's Board of Directors may determine that any available cash should be allocated for other purposes such as acquisitions or additional capital expenditures instead of making distributions to shareholders. In addition, forward-looking information and statements are subject to 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.sedarplus.ca.

The amount of future cash dividends paid by Gear, if any, will be subject to the discretion of the Board of Directors of Gear and may vary depending on a variety of factors and conditions existing from time to time, including, among other things,

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

The forward-looking information and statements contained in this 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			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
FINANCIAL								
Petroleum and natural gas sales	37,524	41,409	36,106	33,675	39,278	44,840	57,635	45,524
Funds from operations ⁽¹⁾	16,717	20,978	17,108	13,012	18,676	22,544	33,770	18,782
Per weighted average basic share	0.06	0.08	0.07	0.05	0.07	0.09	0.13	0.07
Per weighted average diluted share	0.06	0.08	0.06	0.05	0.07	0.09	0.13	0.07
Cash flows from operating activities	17,813	17,532	13,311	14,933	18,565	26,196	29,668	15,340
Per weighted average basic share	0.07	0.07	0.05	0.06	0.07	0.10	0.11	0.06
Per weighted average diluted share	0.07	0.07	0.05	0.06	0.07	0.10	0.11	0.06
Net (loss) income	(7,104)	8,150	5,550	1,990	27,695	17,750	23,309	6,227
Per weighted average basic share	(0.03)	0.03	0.02	0.01	0.11	0.07	0.09	0.02
Per weighted average diluted share	(0.03)	0.03	0.02	0.01	0.10	0.07	0.09	0.02
Capital expenditures	10,751	12,008	7,370	17,992	18,899	14,872	8,091	8,687
Decommissioning liabilities settled - Gear	2,560	2,202	912	441	1,417	2,859	1,100	912
Decommissioning liabilities settled - Government ⁽²⁾	-	-	-	37	532	433	250	-
Net (debt) surplus ⁽¹⁾	(14,099)	(13,297)	(14,322)	(15,276)	(2,220)	6,959	9,775	(6,706)
Dividends declared and paid	3,934	5,243	7,849	7,826	7,795	7,751	2,610	-
Dividends declared and paid per share	0.015	0.020	0.030	0.030	0.030	0.030	0.010	-
Weighted average shares outstanding, basic (thousands)	262,247	262,139	261,629	260,693	259,908	258,385	260,561	260,331
Weighted average shares outstanding, diluted (thousands)	263,446	263,599	263,385	263,381	263,774	263,585	268,353	269,016
Shares outstanding, end of period (thousands)	262,250	262,220	262,115	261,212	260,693	259,367	258,173	260,759
OPERATING								
Production								
Heavy oil (bbl/d)	2,937	2,601	2,698	2,734	2,772	2,546	2,686	3,043
Light and medium oil (bbl/d)	1,920	1,890	1,955	2,045	1,835	1,971	1,980	1,580
Natural gas liquids (bbl/d)	327	233	279	292	299	320	243	269
Natural gas (mcf/d)	4,893	4,720	4,860	5,287	5,091	5,339	5,205	4,855
Total (boe/d)	6,000	5,511	5,742	5,952	5,755	5,727	5,777	5,701
Average prices								
Heavy oil (\$/bbl)	70.74	89.65	73.92	56.80	69.72	89.32	116.74	95.91
Light and medium oil (\$/bbl)	91.01	102.43	89.63	91.68	103.62	109.95	133.18	110.32
Natural gas liquids (\$/bbl)	44.44	46.53	40.74	50.69	58.48	60.62	72.59	63.88
Natural gas (\$/mcf)	2.21	2.64	2.22	3.13	5.11	4.47	7.38	4.64
Selected financial results (\$/boe)								
Petroleum and natural gas sales	67.98	81.67	69.10	62.86	74.19	85.10	109.63	88.73
Royalties	(10.11)	(9.74)	(8.20)	(7.64)	(10.40)	(12.14)	(15.56)	(9.38)
Operating costs	(21.52)	(23.57)	(21.54)	(22.45)	(21.55)	(21.16)	(21.86)	(19.80)
Transportation costs	(3.48)	(3.28)	(3.75)	(4.25)	(4.03)	(3.67)	(3.56)	(3.43)
Operating netback ⁽¹⁾	32.87	45.08	35.61	28.52	38.21	48.13	68.65	56.12
Realized risk management gain (loss)	1.24	1.00	1.37	0.87	-	(1.94)	(0.96)	(14.11)
General and administrative	(2.70)	(3.45)	(3.12)	(4.36)	(2.62)	(3.20)	(2.94)	(4.83)
Interest and other	(1.13)	(1.25)	(1.12)	(0.74)	(0.32)	(0.20)	(0.51)	(0.57)

(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".

(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.

SELECTED ANNUAL INFORMATION

(Cdn\$ thousands, except per share, share, and per boe amounts)	2023	2022	2021
FINANCIAL			
Petroleum and natural gas sales	148,714	187,277	129,027
Funds from operations ⁽¹⁾	67,815	93,772	54,368
Per weighted average basic share	0.26	0.36	0.22
Per weighted average diluted share	0.26	0.35	0.22
Cash flows from operating activities	63,589	89,769	51,881
Per weighted average basic share	0.24	0.35	0.21
Per weighted average diluted share	0.24	0.34	0.21
Net income	8,586	74,981	80,498
Per weighted average basic share	0.03	0.29	0.32
Per weighted average diluted share	0.03	0.28	0.32
Capital expenditures	48,121	50,549	28,884
Decommissioning liabilities settled - Gear	6,115	6,288	1,619
Decommissioning liabilities settled - Government ⁽²⁾	37	1,215	3,022
Net debt ⁽¹⁾	(14,099)	(2,220)	(15,830)
Dividends declared and paid	24,852	18,156	-
Dividends declared and paid per share	0.095	0.070	-
Weighted average shares outstanding, basic (thousands)	261,725	259,791	248,665
Weighted average shares outstanding, diluted (thousands)	263,276	264,213	263,009
Shares outstanding, end of year (thousands)	262,250	260,693	260,169
OPERATING			
Production			
Heavy oil (bbl/d)	2,743	2,760	3,211
Light and medium oil (bbl/d)	1,952	1,842	1,604
Natural gas liquids (bbl/d)	283	283	169
Natural gas (mcf/d)	4,938	5,124	4,149
Total (boe/d)	5,801	5,739	5,676
Average prices			
Heavy oil (\$/bbl)	72.60	92.80	64.05
Light and medium oil (\$/bbl)	93.63	114.67	77.51
Natural gas liquids (\$/bbl)	45.55	63.38	47.90
Natural gas (\$/mcf)	2.56	5.41	3.71
Selected financial results (\$/boe)			
Petroleum and natural gas sales	70.23	89.40	62.28
Royalties	(8.92)	(11.89)	(6.82)
Operating costs	(22.25)	(21.10)	(17.13)
Transportation costs	(3.69)	(3.67)	(2.30)
Operating netback ⁽¹⁾	35.37	52.74	36.03
Realized risk management gain (loss)	1.12	(4.18)	(5.92)
General and administrative	(3.40)	(3.39)	(2.57)
Interest and other	(1.06)	(0.40)	(1.30)

(1) Funds from operations, net debt 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".

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

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