



## NEWS RELEASE

### GEAR ENERGY LTD. ANNOUNCES FOURTH QUARTER 2023 OPERATING RESULTS AND YEAR-END RESERVES SUMMARY AND THE FILING OF A NORMAL COURSE ISSUER BID

CALGARY, ALBERTA (February 21, 2024) Gear Energy Ltd. ("Gear" or the "Company") (TSX:GXE) (OTCQX:GENGF) is pleased to provide the following fourth quarter operating results and annual reserves summary to shareholders. Gear's Consolidated Financial Statements and related Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2023 are available for review on Gear's website at [www.gearenergy.com](http://www.gearenergy.com) and on [www.sedarplus.ca](http://www.sedarplus.ca).

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

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

## MESSAGE TO SHAREHOLDERS

We are pleased to present the following results for 2023. It was a volatile year with WTI oil prices oscillating by almost US\$30 per barrel, from the mid US\$60's to the mid US\$90's and then back down again. Heavy oil prices were also not immune to volatility, with the WCS differential ranging between a discount of approximately US\$11 per barrel up to US\$29 per barrel. Despite this volatility, Gear was able to deliver strong returns to shareholders, execute an efficient 2023 capital program, and maintain stable production and bank debt while adding Proved Developed Producing ("PDP") reserves at a finding, development and acquisition ("FD&A") cost of \$17.36 per boe, yielding a competitive 2023 PDP recycle ratio of 2.0 times.

Now as we move into 2024, the team are excited to continue working on delivering similar results. With the Strategic Repositioning Process behind us, we are ready to focus on continued success with core area drilling, water flood expansions, further de-risking and expansion of new drilling inventory and incremental returns to shareholders.

## 2023 ANNUAL HIGHLIGHTS

- Generated \$67.8 million of funds from operations ("FFO") or \$32.03 per boe, the third highest ever achieved. The FFO was a 28 per cent decrease from 2022 as a result of weaker pricing with revenue averaging \$70.23 per boe for the year and the WTI oil benchmark price averaging US\$77.62 per barrel compared to US\$94.23 per barrel in 2022.
- Delivered production of 5,801 boe per day for 2023, a one per cent increase from 2022 and unchanged on a per debt adjusted ("DA") share basis.
- Distributed almost \$24.9 Million in dividends to shareholders during 2023, representing \$0.095 per share, or an annual yield of almost 15 per cent relative to the year-end market capitalization. Total dividends since inception are now \$45.6 million, or \$0.175 per share including the February 2024 declared amount.
- Invested \$48.1 million to drill 14 gross (14 net) wells, installed and optimized multiple waterflood projects, completed various recompletion opportunities and funded other corporate capital.
- Dedicated \$6.1 million to the reduction of decommissioning activities resulting in 79 gross (76.3 net) wells being abandoned and 34 gross (34 net) wells being reclaimed throughout the year. Gear's decommissioning liability fell seven per cent from \$71.4 million at the end of 2022 to \$66.1 million at the end of 2023.
- Maintained a strong balance sheet, with exit net debt of \$14.1 million and annual net debt to FFO ratio of 0.2 times.

## FOURTH QUARTER HIGHLIGHTS

- Production for the fourth quarter of 2023 was 6,000 boe per day, a nine per cent increase from the third quarter production of 5,511 boe per day. The increase is attributed to new production from Gear's second half 2023 successful drilling program.
- During the fourth quarter of 2023, Gear drilled two gross (two net) light oil multistage fractured wells in Tableland, Saskatchewan. In total, Gear incurred \$10.8 million of capital expenditures for the quarter. Approximately \$0.7 million of capital was incurred for pre-spending for Gear's 2024 capital program.
- FFO for the fourth quarter of 2023 was \$16.7 million, a decrease of 20 per cent from the third quarter of 2023 as a result of lower commodity prices, partially offset by higher production. Fourth quarter realized prices decreased to \$67.98 per boe from \$81.67 per boe in the third quarter of 2023. Lower commodity prices were primarily driven by a decrease in the WTI benchmark oil price which averaged US\$78.32 per barrel in the fourth quarter and wider WCS heavy oil differentials, which averaged US\$21.86 per barrel in the fourth quarter. The outlook for WCS differentials has begun to improve through the first quarter and look to narrow further with the expectation that the Trans Mountain pipeline expansion will be commissioned in 2024.

## 2023 YEAR END RESERVES HIGHLIGHTS

- Gear achieved the following reserves highlights through 2023 activity, compared to 2022 results including full corporate abandonment and reclamation obligation (“ARO”) costs.

### Proved Developed Producing (“PDP”)

- 2.73 MMboe of additions.
- Reserves increased six per cent, four per cent per DA share. <sup>(1)</sup>
- Reserves value on a Before Tax 10 per cent discounted basis (“BT10”) increased four per cent, two per cent on a per DA share basis.<sup>(1)</sup>
- Replaced 129 per cent of 2023 annual production.
- Finding and development (“F&D”) costs and FD&A costs <sup>(1)</sup> of \$16.33/boe and 17.36/boe, respectively, including change in Future Development Capital (“FDC”).
- Recycle ratio<sup>(1)</sup> of 2.0x based on 2023 operating netback<sup>(1)</sup> of \$35.37/boe (before hedging).

### Total Proved (“TP”)

- 2.29 MMboe of additions.
- Reserves increased one per cent, one per cent decrease per DA share. <sup>(1)</sup>
- Reserves value BT10 decreased four per cent and decreased six per cent on a per DA share basis.<sup>(1)</sup>
- Replaced 108 per cent of 2023 annual production.
- F&D and FD&A cost <sup>(1)</sup> of \$18.90/boe and \$19.95/boe, respectively, including change in FDC.
- Recycle ratio<sup>(1)</sup> of 1.8x.

### Total Proved plus Probable (“P+P”)

- 2.10 MMboe of additions.
- Reserves were unchanged and decreased two per cent per DA share. <sup>(1)</sup>
- Reserves value BT10 decreased six per cent and decreased eight per cent on a per DA share basis.<sup>(1)</sup>
- Replaced 99 per cent of 2023 annual production.
- F&D and FD&A cost <sup>(1)</sup> of \$19.94/boe and \$22.67/boe, respectively, including change in FDC.
- Recycle ratio<sup>(1)</sup> of 1.6x.

- The 2023 capital program was limited but very successful in delivering new wells that met or exceeded expectations. Reserves additions across all categories were achieved primarily through a combination of the following:
  - Successful new drilling in Wildmere, Soda Lake, Celtic, Provost, Hoosier and Tableland.
  - Base performance revisions in Paradise Hill, Wildmere and Wilson Creek.
  - Recognition of waterflood implementation and/or response in Chigwell, Wildmere, Wilson Creek, Killam, Provost, and Maidstone.
  - Economic factors as a percentage of annual reserves additions were two per cent, 12 per cent and 24 per cent for PDP, TP and P+P values, respectively.
- Management’s annual estimate of future potential drilling locations increased 33 per cent from year-end 2022 to 447 un-risked net locations as a result of land purchases in Cold Lake and Soda Lake, drilling to derisk new inventory at Celtic and Soda Lake, and the continuous high grading of future inventory through increased use of multi-laterals. The Sproule (as defined below) evaluation currently recognizes 94 net locations in the TP category and 148 in the P+P category. These booked locations represent 21 and 33 per cent of management’s estimates, respectively. The 148 net booked P+P locations include 25 multi-lateral horizontals, 108 single lateral horizontals and 15 vertical wells.
- Utilizing the evaluator average price forecast at January 1, 2024, Gear maintained 2023 Net Asset Values (“NAV”) <sup>(2)</sup> close to year end 2022 figures with the weaker future price outlook offset by higher reserves. The new NAV <sup>(2)</sup> amounts are \$0.75/share PDP, \$1.04/share TP and \$1.66/share P+P, all above the current share price trading range. Additional NAV values at various flat price scenarios and discount rates are highlighted within.
- Significantly increased the amount of reserves supported by water flooding to 32 per cent of total PDP bookings, supporting a record high PDP Reserves Life Index (“RLI”) <sup>(3)</sup>, now sitting comfortably at 5.3 years. TP RLI <sup>(3)</sup> is 8.0 years P+P RLI <sup>(3)</sup> is 11.0 years, both also record highs.
- Corporate liquids weighting increased to 87 per cent from 85 per cent for the P+P reserves case. Heavy oil increased by one per cent while gas decreased by one per cent. Corporate P+P reserves product mix remained relatively unchanged from the prior year with reserves consisting of 43 per cent heavy oil, 39 per cent light and medium oil, 5 per cent natural gas liquids (“NGLs”) and 13 per cent gas.

- (1) FD&A cost, F&D cost, reserves per DA share, reserves value BT10 per DA share, recycle ratio and operating netback are oil and gas metrics that do not have any standardized meanings under GAAP and therefore are considered non-GAAP ratios and may not be comparable to similar measures presented by other entities. For additional information related to these measures see "Efficiency Ratios", "Non-GAAP and Other Financial Measures" and "Oil and Gas Metrics" in this press release.
- (2) NAV is a supplementary financial measure. See "Efficiency Ratios", "Non-GAAP and Other Financial Measures" and "Oil and Gas Metrics" in this press release for an explanation of the composition of this supplementary financial measure.
- (3) RLI is an oil and gas metric that does not have a standardized meaning and therefore may not be comparable to similar measures presented by other entities. For additional information related to this measure see "Oil and Gas Metrics" in this press release.

## 2024 OUTLOOK

After several years of consultation, planning and construction, the Trans Mountain pipeline expansion is set to be operational in 2024. The pipeline will positively impact the Canadian energy industry, adding 590,000 barrels of oil per day or approximately 17 per cent additional export capacity and providing a new 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, a reduction in historical punitive differentials for heavy crude, 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.

## GUIDANCE

	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) <sup>(1)</sup>	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 for the 2024 drill program as well as additional spending on abandonment and reclamation work.

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 FFO as follows:

	70	80	90
WTI US\$			
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 may 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.

## NORMAL COURSE ISSUER BID

Gear is pleased to announce that the Toronto Stock Exchange ("TSX") has granted approval for Gear to commence a normal course issuer bid (the "NCIB").

Under the NCIB, Gear may purchase for cancellation up to 24,171,076 common shares (the "Shares") of Gear, representing approximately 10% of the "public float", which is equal to the issued and outstanding Shares of Gear as at the date hereof (262,249,821 Shares) less the Shares held by directors and officers of Gear. The total number of Shares that Gear is permitted to purchase is subject to a daily purchase limit of 162,537 Shares, representing 25% of the average daily trading volume of 650,149 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 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 Shares sought pursuant to the 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 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, Shares may only be purchased if Gear's senior debt to earnings before interest, tax, depreciation, and amortization ratio 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 Shares purchased under the NCIB, the timing of purchases, and the price at which the Shares will be purchased, will depend on future market conditions.

Gear believes that, from time to time, the market price of the Shares may not fully reflect the underlying value of the Shares and at such times the purchase of Shares would be in the best interests of Gear. As a result of such purchases, the number of issued Shares will be decreased and, consequently, the proportionate share interest of all remaining Shareholders will be increased on a pro rata basis.

## RESERVES SUMMARY

Year-end 2023 reserves were evaluated by independent reserves evaluator Sproule Associates Ltd. ("Sproule") in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). A reserves committee, comprised of independent board members, reviews the qualifications and appointment of the independent reserves evaluator and reviews the procedures for providing information to the evaluators. The reserves evaluation was based on an average of price forecasts prepared by Sproule, GLJ Petroleum Consultants Ltd. and McDaniel & Associates Consulting Ltd. effective at January 1, 2024. Reserves included herein are stated on a company gross basis (working interest before deduction of royalties without inclusion of any royalty interests) unless noted otherwise. Additional reserves information required under NI 51-101 will be included in Gear's Annual Information Form to be filed on SEDAR+ on or before March 31, 2024.

The following tables outline Gear's reserves as at December 31, 2023. No provision for interest, risk management contracts, debt service charges and general and administrative expenses have been made and it should not be assumed that the net present values of the reserves estimated by Sproule represents the fair market value of the reserves.

### Reserves Summary at Dec 31, 2023 Using Forecast Costs and January 1, 2024 Evaluator Average Forecast Prices

Company Gross	Light & Medium Oil (Mbbbl)	Heavy Oil (Mbbbl)	NGL's (Mbbbl)	Natural Gas (MMcf)	Equivalent (Mboe)	Liquids Ratio (%)
Proved Developed Producing	4,183	3,647	562	9,874	10,038	84
Proved Non-Producing & Undeveloped	2,816	2,816	419	4,912	6,869	88
Total Proved	6,999	6,463	981	14,786	16,907	85
Probable Developed Producing	1,366	1,223	170	2,925	3,246	85
Probable Non-Producing & Undeveloped	1,737	3,611	193	3,227	6,079	91
Total Probable	3,103	4,834	363	6,152	9,325	89
Total Proved plus Probable	10,102	11,297	1,344	20,938	26,232	87

### Net Present Value of Future Revenues Including Full ARO Before Income Taxes Under Forecast Prices and Costs

Company Gross (\$ thousands)	Undiscounted	Discounted @ 5%	Discounted @ 10%	Discounted @ 15%	Discounted @ 20%
Proved Developed Producing	249,562	232,523	206,307	183,555	165,216
Proved Non-Producing & Undeveloped	153,671	106,935	75,365	53,451	37,745
Total Proved	403,232	339,459	281,672	237,006	202,961
Probable Developed Producing	134,148	90,305	65,728	50,957	41,361
Probable Non-Producing & Undeveloped	183,982	130,714	97,590	75,473	59,869
Total Probable	318,130	221,019	163,319	126,430	101,230
Total Proved plus Probable	721,362	560,478	444,990	363,436	304,191

**Net Future Development Capital (“FDC”) Under Forecast Prices and Costs**

(\$ thousands)	Proved	Probable	Total
2024	29,210	8,957	38,167
2025	54,259	19,624	73,883
2026	54,956	31,518	86,474
2027	23,477	18,740	42,217
2028	-	-	-
Undiscounted Total	161,902	78,840	240,741

**EFFICIENCY RATIOS**

The following table highlights annual capital efficiency through F&D and FD&A costs per boe metrics.

Reserves (mboes), Capital (\$ thousands)	2023			2022		
	PDP	TP	P+P	PDP	TP	P+P
Development Reserves Additions	2,879	2,627	2,655	2,586	2,169	2,025
Net Acquisition Reserves Additions	(152)	(334)	(553)	4	4	(11)
Total Reserves Additions	2,727	2,293	2,102	2,590	2,173	2,014
Development capital	47,828	47,828	47,828	50,462	50,462	50,462
Development change in FDC	(821)	1,829	5,129	(2,717)	12,642	10,400
Total development capital including FDC	47,321	49,657	52,957	47,745	63,104	60,862
Net acquisition capital	314	314	314	87	87	87
Net acquisition change in FDC	-	(4,226)	(5,598)	-	-	-
Total net acquisition capital including FDC	314	(3,913)	(5,284)	87	87	87
Total capital	48,142	48,142	48,142	50,549	50,549	50,549
Total change in FDC	(821)	(2,397)	(469)	(2,717)	12,642	10,400
Total capital including FDC	47,321	45,745	47,673	47,832	63,191	60,949
F&D costs with FDC per boe	16.33	18.90	19.94	18.46	29.10	30.05
FD&A costs with FDC per boe	17.36	19.95	22.67	18.47	29.08	30.26
3 Year average FD&A including FDC per boe	14.79	20.44	20.35	22.89	21.41	17.50
Recycle ratio (FD&A with FDC)	2.0	1.8	1.6	2.9	1.8	1.7

**Reserves Life Index (“RLI”)**

(years)	2023	2022	2021
Proved Developed Producing	5.3	4.9	4.6
Total Proved	8.0	7.6	7.4
Total Proved plus Probable	11.0	10.4	10.1

**Net Asset Value (“NAV”) at December 31, 2023**

(\$ millions, except per share amounts)	2023	2022
Value of Company Interest Proved plus Probable Reserves Discounted at 10% (Before Tax)	445.0	473.8
Undeveloped Land	5.5	6.4
Net Debt	(14.0)	(2.2)
NAV	436.5	478.0
Shares Outstanding (millions)	262.3	260.7
NAV per Share	1.66	1.83

Using various constant WTI price forecasts and assuming a WCS differential of US\$14 per barrel, MSW differential of US\$4 per barrel, and LSB differential of US\$5 per barrel, AECO gas price of C\$2 per GJ, and a foreign exchange of US\$0.75 per C\$, NAV's at December 31, 2023 at various discount rates before tax are as follows:

NAV per Share	Discount Rate (%)	Evaluator Average Forecast Prices, Jan 1, 2024	WTI US\$70/bbl	WTI US\$80/bbl	WTI US\$90/bbl
Proved Developed Producing	10	0.75	0.64	0.87	1.10
Total Proved	10	1.04	0.83	1.22	1.62
Total Proved plus Probable	10	1.66	1.33	1.90	2.47

## RESERVES RECONCILIATION

Reserves Reconciliation Company Gross	Heavy Oil (Mbbbl)	Light & Medium Oil (Mbbbl)	Natural Gas (MMcf)	Natural Gas Liquids (Mbbbl)	Oil Equivalent (Mboe)
<b>Proved Producing</b>					
Opening Balance, January 1, 2023	3,286	3,770	10,915	553	9,428
Technical Revisions	1,145	1,071	677	97	2,425
Drilling Extensions	-	-	-	-	-
Infill Drilling	158	-	-	-	158
Improved Recovery	149	42	168	15	235
Acquisitions	-	-	-	-	-
Dispositions	(149)	-	(20)	-	(152)
Economic Factors	59	13	(64)	(1)	60
Production	(1,001)	(714)	(1,802)	(103)	(2,117)
<b>Closing Balance, December 31, 2023</b>	<b>3,647</b>	<b>4,183</b>	<b>9,874</b>	<b>562</b>	<b>10,038</b>
<b>Total Proved</b>					
Opening Balance, January 1, 2023	6,233	6,797	15,986	1,037	16,731
Technical Revisions	590	541	67	(9)	1,133
Drilling Extensions	103	133	166	25	288
Infill Drilling	515	34	34	4	559
Improved Recovery	176	130	352	17	383
Acquisitions	-	-	-	-	-
Dispositions	(330)	-	(20)	-	(334)
Economic Factors	177	77	3	11	265
Production	(1,001)	(714)	(1,802)	(103)	(2,117)
<b>Closing Balance, December 31, 2023</b>	<b>6,463</b>	<b>6,999</b>	<b>14,786</b>	<b>981</b>	<b>16,907</b>
<b>Proved plus Probable</b>					
Opening Balance, January 1, 2023	10,950	10,010	22,915	1,467	26,247
Technical Revisions	143	302	(780)	(57)	259
Drilling Extensions	52	18	41	3	80
Infill Drilling	1,110	57	57	7	1,183
Improved Recovery	116	402	559	25	635
Acquisitions	-	-	-	-	-
Dispositions	(549)	-	(26)	-	(553)
Economic Factors	476	26	(26)	1	499
Production	(1,001)	(714)	(1,802)	(103)	(2,117)
<b>Closing Balance, December 31, 2023</b>	<b>11,297</b>	<b>10,102</b>	<b>20,938</b>	<b>1,344</b>	<b>26,232</b>

## FORECAST PRICES AND COSTS

Evaluator average crude oil and natural gas benchmark reference pricing, inflation, and exchange rates utilized by Sproule as at January 1, 2024 were as follows:

Year	Inflation (%)	Exchange Rate (USD/CAD)	WTI Cushing (40 API) (USD/bbl)	Edmonton MSW (40 API) (CAD/bbl)	WCS Hardisty (21 API) (CAD/bbl)	AECO/NIT Spot (CAD/mmbtu)
2024	0.00	0.75	73.67	92.91	76.74	2.20
2025	2.00	0.75	74.98	95.04	79.77	3.37
2026	2.00	0.76	76.14	96.07	81.12	4.05
2027	2.00	0.76	77.66	97.99	82.88	4.13
2028	2.00	0.76	79.22	99.95	85.04	4.21
2029	2.00	0.76	80.80	101.94	86.74	4.30
2030	2.00	0.76	82.42	103.98	88.47	4.38
2031	2.00	0.76	84.06	106.06	90.24	4.47
2032	2.00	0.76	85.74	108.18	92.04	4.56
2033	2.00	0.76	87.46	110.35	93.89	4.65
2034+	2.00	0.76	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr



**GEAR ENERGY LTD.**  
**CONSOLIDATED BALANCE SHEETS (unaudited)**  
**As at December 31**

(Cdn\$ thousands)	<b>December 31, 2023</b>		December 31, 2022	
<b>ASSETS</b>				
Current assets				
Accounts receivable	\$	12,412	\$	12,674
Prepaid expenses		2,660		3,341
Inventory		6,791		8,178
Risk management contracts		-		1,057
		<b>21,863</b>		25,250
Deferred income tax asset		29,644		41,121
Property, plant and equipment		287,318		283,038
<b>Total assets</b>	<b>\$</b>	<b>338,825</b>	<b>\$</b>	<b>349,409</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	\$	14,807	\$	19,290
Decommissioning liability		6,300		6,931
		<b>21,107</b>		26,221
Debt		21,155		7,123
Decommissioning liability		59,822		64,451
<b>Total liabilities</b>		<b>102,084</b>		97,795
<b>SHAREHOLDERS' EQUITY</b>				
Share capital		348,905		348,005
Contributed surplus		18,330		17,837
Deficit		(130,494)		(114,228)
<b>Total shareholders' equity</b>		<b>236,741</b>		251,614
<b>Total liabilities and shareholders' equity</b>	<b>\$</b>	<b>338,825</b>	<b>\$</b>	<b>349,409</b>

**GEAR ENERGY LTD.**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (unaudited)**

	Three Months Ended December 31		Year Ended December 31	
(Cdn\$ thousands, except per share amounts)	2023	2022	2023	2022
<b>REVENUE</b>				
Petroleum and natural gas sales	\$ 37,524	\$ 39,278	\$ 148,714	\$ 187,277
Royalties	(5,578)	(5,504)	(18,895)	(24,899)
	<b>31,946</b>	<b>33,774</b>	<b>129,819</b>	<b>162,378</b>
Realized gain (loss) on risk management contracts	684	-	2,369	(8,767)
Unrealized (loss) gain on risk management contracts	(26)	1,353	(1,057)	3,652
	<b>32,604</b>	<b>35,127</b>	<b>131,131</b>	<b>157,263</b>
<b>EXPENSES</b>				
Operating	11,879	11,411	47,112	44,207
Transportation	1,921	2,132	7,821	7,696
General and administrative	1,491	1,388	7,207	7,096
Interest and financing charges	621	176	2,229	1,033
Depletion, depreciation and amortization	11,294	9,663	42,943	37,370
Impairment reversal	-	(10,023)	-	(10,023)
Accretion	578	588	2,244	2,255
Share-based compensation	350	320	1,412	1,055
Loss (gain) on foreign exchange	1	(9)	4	(193)
Bad debt	96	19	96	19
	<b>28,231</b>	<b>15,665</b>	<b>111,068</b>	<b>90,515</b>
Income before income taxes	4,373	19,462	20,063	66,748
Deferred income tax (expense) recovery	(11,477)	8,233	(11,477)	8,233
Net (loss) income and comprehensive (loss) income	\$ (7,104)	\$ 27,695	\$ 8,586	\$ 74,981
Net (loss) income per share, basic	\$ (0.03)	\$ 0.11	\$ 0.03	\$ 0.29
Net (loss) income per share, diluted	\$ (0.03)	\$ 0.10	\$ 0.03	\$ 0.28

**GEAR ENERGY LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)**  
For the years ended December 31  
(Cdn\$ thousands)

	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance at December 31, 2021	\$ 350,332	\$ 19,337	\$ (170,621)	\$ 199,048
Stock option exercise	2,549	(2,579)	-	(30)
Common shares repurchased	(4,876)	24	(432)	(5,284)
Share-based compensation	-	1,055	-	1,055
Dividends	-	-	(18,156)	(18,156)
Net income for the year	-	-	74,981	74,981
<b>Balance at December 31, 2022</b>	<b>\$ 348,005</b>	<b>\$ 17,837</b>	<b>\$ (114,228)</b>	<b>\$ 251,614</b>
Stock option exercise	900	(919)	-	(19)
Share-based compensation	-	1,412	-	1,412
Dividends	-	-	(24,852)	(24,852)
Net income for the year	-	-	8,586	8,586
<b>Balance at December 31, 2023</b>	<b>\$ 348,905</b>	<b>\$ 18,330</b>	<b>\$ (130,494)</b>	<b>\$ 236,741</b>

**GEAR ENERGY LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**

(Cdn\$ thousands)	Three Months Ended December 31		Year Ended December 31	
	2023	2022	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net (loss) income	\$ (7,104)	\$ 27,695	\$ 8,586	\$ 74,981
Add items not involving cash:				
Unrealized loss (gain) on risk management contracts	26	(1,353)	1,057	(3,652)
Depletion, depreciation and amortization	11,294	9,663	42,943	37,370
Impairment reversal	-	(10,023)	-	(10,023)
Accretion	578	588	2,244	2,255
Share-based compensation	350	320	1,412	1,055
Bad debt	96	19	96	19
Deferred income tax expense (recovery)	11,477	(8,233)	11,477	(8,233)
Decommissioning liabilities settled	(2,560)	(1,417)	(6,115)	(6,288)
Change in non-cash working capital	3,656	1,306	1,889	2,285
	<b>17,813</b>	<b>18,565</b>	<b>63,589</b>	<b>89,769</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>				
Change in debt under credit facilities	161	7,123	14,032	(19,232)
Stock option exercise	-	18	(19)	(30)
Common shares repurchased	-	-	-	(5,284)
Cash dividends	(3,934)	(7,795)	(24,852)	(18,156)
	<b>(3,773)</b>	<b>(654)</b>	<b>(10,839)</b>	<b>(42,702)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>				
Property, plant and equipment expenditures	(10,751)	(18,899)	(48,121)	(50,549)
Disposition of petroleum and natural gas properties	-	-	(184)	-
Change in non-cash working capital	(3,289)	490	(4,445)	3,482
	<b>(14,040)</b>	<b>(18,409)</b>	<b>(52,750)</b>	<b>(47,067)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	-	(498)	-	-
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	-	498	-	-
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ -	\$ -	\$ -	\$ -

## Forward-looking Information and Statements

This press release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this press release contains forward-looking information and statements pertaining to the following: the expectation that in 2024 Gear will deliver similar results to the prior year by focusing on core area drilling, water flood expansions, further de-risking and expansion of new drilling inventory and incremental returns to shareholders; 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 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; and Gear's expectations and beliefs relating to the NCIB including commencement and termination dates and reasons for the NCIB.

The forward-looking information and statements contained in this press release reflect several material factors and expectations and assumptions of Gear including, without limitation: that Gear will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of Gear's reserves and resource volumes; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures. Gear believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

To the extent that any forward-looking information contained herein may be considered a financial outlook, such information has been included to provide readers with an understanding of management's assumptions used for budgeting and developing future plans and readers are cautioned that the information may not be appropriate for other purposes. The forward-looking information and statements included in this press release are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: 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; any inability to obtain debt or equity financing as necessary to fund operations, capital expenditures and any potential acquisitions; 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](http://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 press release speak only as of the date of this press release, and Gear does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

## Non-GAAP and Other Financial Measures

This press release includes references to non-GAAP and other financial measures that Gear uses to analyze financial performance. These specified financial measures include non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures, and are not defined by International Financial Reporting Standards 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 year 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 NCIB, if the Company chooses to do so. The following is a reconciliation of funds from operations from cash flows from operating activities.

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

(\$ thousands)	Three months ended			Year ended	
	Dec 31, 2023	Dec 31, 2022	Sep 30, 2023	Dec 31, 2023	Dec 30, 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 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 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 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 NCIB, if the Company chooses to do so.

#### Reconciliation of debt to net debt:

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.

#### 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.

#### Reconciliation of weighted average basic shares to debt adjusted shares:

(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.

#### Reserves per debt adjusted shares

Reserves per debt adjusted shares is a non-GAAP ratio calculated as reserves, boe, divided by debt adjusted shares, as defined and reconciled to weighted average basic shares above. Gear considers reserves, boe, per debt adjusted 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.

(boe per debt adjusted share)	Dec 31, 2023	Dec 31, 2022
Proved developed producing	0.037	0.035
Total proved	0.062	0.062
Total proved plus probable	0.096	0.098

#### Reserves value before tax 10 per cent per debt adjusted shares

Reserves value before tax 10 per cent per debt adjusted shares is a non-GAAP ratio calculated as reserves value before tax 10 per cent, divided by debt adjusted shares, as defined and reconciled to weighted average basic shares above. Gear considers reserves value before tax 10 per cent per debt adjusted 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.

(\$ per debt adjusted share)	Dec 31, 2023	Dec 31, 2022
Proved developed producing	0.752	0.739
Total proved	1.027	1.093
Total proved plus probable	1.623	1.766

#### 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.

*Finding and Development ("F&D") Costs and Finding, Development and Acquisition ("FD&A") Costs*

F&D costs and FD&A costs are non-GAAP ratios. The calculation for F&D includes all exploration, development capital for that period plus the change in FDC for that period. This total capital including the change in the FDC is then divided by the change in reserves for that period incorporating all revisions for that same period. The calculation for FD&A is calculated in the same manner except it also accounts for any acquisition costs incurred during the period. Gear considers F&D and FD&A as useful non-GAAP ratios for management and investors to measure the return of investment or capital efficiency of the Company's capital expenditures.

*Recycle Ratio*

Recycle ratio is a non-GAAP ratio. Recycle ratio is calculated by dividing operating netback per barrel of oil equivalent by either F&D or FD&A costs on a per barrel of oil equivalent. Management uses recycle ratio to relate the cost of adding reserves to the expected cash flows to be generated.

*Net Asset Value ("NAV")*

NAV is a supplementary financial measure the composition of which is set out under the heading "Efficiency Ratios" in this press release. Gear considers NAV a useful supplementary measure for management and investors as it enables oil and gas companies to measure the value of an outstanding share of the Company based on the independent reserves evaluation of the Company's reserves plus certain assumptions made by management as to the value of the other assets of the Company. For the purposes of calculating NAV as presented herein, undeveloped land has been based on internal estimates of the value of the Company's undeveloped land. Net debt is used as a component of the NAV calculation, which is a capital management measure the composition of which is explained above. For the purposes of the calculation of NAV the number of shares outstanding does not include any shares issuable on any securities of the Company that are convertible, exchangeable or exercisable into shares of the Company.

**Oil and Gas Metrics**

This press release contains the term reserves life index, which is an oil and gas metric that does not have a standardized meaning or standard method of calculation and therefore such measure may not be comparable to similar measures used by other companies. Reserves life index has been included herein to provide readers with an additional measure to evaluate the Company's performance; however, such measure is not a reliable indicator of the future performance of the Company and future performance may not compare to the performance in previous periods. Reserves life index is calculated by dividing the reserves in each category by the corresponding Sproule forecast of annual production. This press release also contains the terms NAV, FD&A cost, F&D cost, reserves per DA share, reserves value BT10 per DA share, recycle ratio and operating netback, which are oil and gas metrics that do not have any standardized meanings and may not be comparable to similar measures presented by other entities. For additional information related to these measures see "Efficiency Ratios" and "Non-GAAP and Other Financial Measures" in this press release.

**Drilling Locations**

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from Sproule reserves report as of December 31, 2023 and account for drilling locations that have associated proved and/or probable reserves, as applicable. All drilling locations identified herein that are not proved or probable locations are considered unbooked locations. Unbooked locations are internal estimates based on Gear's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production, pricing assumptions and reserves information. There is no certainty that Gear will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which Gear actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While the majority of Gear's unbooked locations are extensions or infills of the drilling patterns already recognized by the independent evaluator, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

**Barrels of Oil Equivalent**

Disclosure provided herein in respect of BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of six Mcf to one Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and do not represent a value equivalency at the wellhead. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

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