GEAR ENERGY

Monthly Update

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FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

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

	Q1 23	Q2 23	Q3 23	Dec-23	Q4 23	2023	Jan-24	Feb-24	Q1 24 TD	2024
WTI Benchmark Price ($US/bbl)	76.13	73.78	82.26	72.12	78.32	77.62	73.86	76.61	75.24	75.24
WCS Heavy Oil Differential ($US/bbl)	(24.76)	(15.06)	(12.89)	(26.58)	(21.86)	(18.65)	(20.09)	(18.76)	(19.43)	(19.43)
MSW Light Oil Differential (US$/bbl)	(2.86)	(2.96)	(1.83)	(8.69)	(5.16)	(3.20)	(8.42)	(9.23)	(8.83)	(8.83)
Funds from Operations ($MM)	13.0	17.1	21.0	4.3	16.7	67.8	4.5	5.1	9.6	9.6
Capital and Abandonment Expenditures ($MM)	18.4	8.3	14.6	1.7	13.3	54.6	4.5	4.5	9.1	9.1
Net Surplus (Debt) ($MM)	(15.3)	(14.3)	(13.3)	(14.1)	(14.1)	(14.1)	(15.5)	(16.2)	(16.2)	(16.2)
Production (boe/d)	5,952	5,742	5,511	6,338	6,000	5,801	5,449	5,693	5,567	5,567

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

Where do I start with this, my last ever monthly update letter to Gear shareholders? The urge is towards nostalgia, so I think that is as good a direction as any to run with.

When I look back on my 14 years of running this company, there are many points of pride, both personal and in relation to the amazing individuals who have participated in building Gear to where it is today. It is stunning to think about how many other competing companies have come and gone over the long tenure of our operations. While we have certainly experienced the occasional existential crisis as well, I am immensely proud of not only our survival, but of the strength of the current fundamentals and of the bright future that I see for Gear. Growing production and cash flow with a line of sight to take advantage of improving heavy oil prices, an expanding inventory of exciting drilling and secondary recovery opportunities and, of course, a very strong balance sheet.

One of the pillars of my strategy for Gear over the years has always been innovation. The team and I have never been satisfied with our last win. We are always looking for ways to further improve and optimize everything. It is a necessity if you want to not only survive, but to be competitive in a business that just keeps on getting tougher.

I could write an entire book on the extremely volatile oil and gas business landscape that I experienced over my tenure at Gear. There were so many challenges to overcome. A few come to mind. For example, extreme oil price volatility, dominantly negative political pressures, fickle support from some lending institutions, and ultimately an investment market that has traded junior energy companies cash flow multiples down to some of the lowest levels I have ever seen in my career. Despite all of this, we are still looking at a company with strong fundamentals, and we are experiencing a commodity price market that should preferentially favour a heavy oil weighted producer like Gear. As such, I do not think my optimism for the future is unfounded.

Regarding the concept of innovation. One only needs to look back to Gear's inception in 2010 and our very first drilling program. We applied the technology of the day, drilling vertical heavy oil wells into the Wildmere area. The wells produced quite a bit of sand from the unconsolidated reservoirs that we had accessed, and they were very difficult to operate. One of the first vertical wells we ever drilled had an underwhelming initial oil production rate of about 25 barrels per day. At the time, that was not far from what you might expect for an average well of that design.

Through the years, and over 370 wells drilled later, the team continued to experiment and innovate. We transitioned from vertical wells to drilling short horizontal wells with slotted liners to try to manage the sand better. That worked well, and it dramatically improved the economics, but we weren't satisfied with stopping there.

We then tried multi-lateral horizontal wells with multiple slotted liners. They worked better, but the costs were prohibitive. Some of our new ideas were game changers, and some of them sent us back to the drawing board, constantly seeking the perfect balance between costs and productivity.

After a while we also started to expand the types of heavy oil reservoirs that we were drilling, moving from traditional unconsolidated sandy reservoirs to tighter, less sandy ones that would barely produce anything at all if you only drilled them vertically. The team initially started drilling these tighter sands with slotted lined horizontal wells, but eventually determined that the liners were not required as the wellbores would stay open without them. This was another big win as the cost savings were extraordinary, to say the least.

Now if we jump forward 14 years to the Gear 2024 drilling program you can see the culmination of all these innovations with the two types of drilling that we have done so far this year.

One of the first wells of 2024 targeted a consolidated, tighter heavy oil sand with an impressive eight open-hole multi-lateral horizontal legs. The results from this new well are impressive, with oil rates as high as 300 barrels a day and a first month average in excess of 250 barrels a day. Just about 10 times better than that simple vertical well drilled back in 2010, and definitely not at ten times the cost.

One of the other wells we drilled so far this year is completely different. It targeted an unconsolidated sand with a slotted lined horizontal section, but this time we tried something new to us, we added a permanent circulation string to help keep the well clean and the sand (and oil) flowing. After about a week of production, the results seem encouraging, with oil production slowly climbing, so far to almost 150 barrels of oil per day.

Regardless of how these wells turn out in the long run, the one thing I am certain of is that the team will learn from them, innovate, and improve upon the results with their next drills. Because that is what we do at Gear, and I for one can't wait to see what they come up with next.

With the end of my last letter to Gear shareholders I hope you all share my optimism for the go forward outlook of this company. With Kevin Johnson coming in to take the helm, I know that shareholders are in good hands. He is passionate, driven and talented, but most of all, he is excited to continue to drive the one key pillar of Gear's historical and future accomplishments…. Constant Innovation.

As a large Gear shareholder, I will join you all in looking forward to hearing from Kevin about all the future successes.

Thank you all for the support and the trust over the last 14 years. It has been an honor and privilege. I wish you all the best. Take care.

- Ingram

Certain information in this monthly update is forward-looking within the meaning of certain securities laws, and is subject to important risks, uncertainties and assumptions. This forward-looking information may include, among other things, estimated production, expected funds from operations and profit from certain assets of Gear, expectations of commodity prices and price differentials, demand for oil, capital expenditure budgets and estimates, royalty rates, operating costs, credit/debt requirements, and drilling inventory and locations. Readers should not rely on such forward-looking information to make investment decisions as the results or events anticipated or predicted in such forward-looking information may differ materially from actual results or events as a result of a number of factors including based on the risk factors as set forth in Gear's most recent annual information form (the "**AIF**"), which is available on this website and at www.sedar.com. Gear has based the forward-looking information on a number of assumptions including the assumptions identified in such monthly updates, which may not be realized. It has also assumed that the risk factors discussed in the AIF will not cause such forward-looking information to differ materially from actual results or events. The forward-looking information in this monthly update describes the expectations of management of Gear as of the respective dates of this monthly update and Gear does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws. Readers should not rely on the views of management of Gear as set out in this monthly update to make investment decisions with respect to Gear or other companies in the oil and gas industry and should instead consult with their own investment advisors.

This monthly update may include certain key performance indicators to analyze financial and operating performance such as funds from operations, funds from operations per debt adjusted share, production per day per thousand debt adjusted shares, operating netbacks, corporate netbacks and net debt, which do not have any standardized meaning prescribed by Canadian generally accepted accounting principles ("**GAAP**") and therefore may not be comparable with the calculation of similar measures for other entities. For additional information on these non-GAAP measures, see Gear's most recent management's discussion and analysis which is available on Gear's website at www.gearenergy.com and at www.sedar.com.

Barrel of oil equivalent ("boe") used in the monthly updates have been based on a conversion ratio of 1 barrel of oil to 6 thousand cubic feet of natural gas. A boe may be misleading, particularly if used in isolation, as such conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.