

FINANCIAL AND OPERATIONAL HIGHLIGHTS



Three months ended

(Cdn\$ thousands, except per share, share and per boe amounts)	Mar 31, 2024	Mar 31, 2023	Dec 31, 2023
FINANCIAL			
Funds from operations ⁽¹⁾	15,182	13,012	16,717
Per boe	29.20	24.29	30.28
Per weighted average basic share	0.06	0.05	0.06
Cash flows from operating activities	10,466	14,933	17,813
Per boe	20.13	27.88	32.27
Per weighted average basic share	0.04	0.06	0.07
Net income (loss)	2,581	1,990	(7,104)
Per weighted average basic share	0.01	0.01	(0.03)
Capital expenditures	7,600	17,992	10,751
Decommissioning liabilities settled- Gear	2,299	441	2,560
Decommissioning liabilities settled- Government ⁽²⁾	-	37	-
Net debt ⁽¹⁾	(12,462)	(15,276)	(14,099)
Dividends declared and paid	3,935	7,826	3,934
Dividends declared and paid per share	0.015	0.030	0.015
Weighted average shares, basic (thousands)	262,399	260,693	262,247
Shares outstanding, end of period (thousands)	263,264	261,212	262,250
OPERATING			
Production			
Heavy oil (bbl/d)	2,633	2,734	2,937
Light and medium oil (bbl/d)	2,007	2,045	1,920
Natural gas liquids (bbl/d)	311	292	327
Natural gas (mcf/d)	4,579	5,287	4,893
Total (boe/d)	5,714	5,952	6,000
Average prices			
Heavy oil (\$/bbl)	72.15	56.80	70.74
Light and medium oil (\$/bbl)	87.16	91.68	91.01
Natural gas liquids (\$/bbl)	51.67	50.69	44.44
Natural gas (\$/mcf)	2.42	3.13	2.21
Netback (\$/boe)			
Petroleum and natural gas sales	68.60	62.86	67.98
Royalties	(9.12)	(7.64)	(10.11)
Operating costs	(19.92)	(22.45)	(21.52)
Transportation costs	(3.57)	(4.25)	(3.48)
Operating netback ⁽¹⁾	35.99	28.52	32.87
Realized risk management gain	-	0.87	1.24
General and administrative	(5.60)	(4.36)	(2.70)
Interest and other	(1.19)	(0.74)	(1.13)

(1) Funds from operations, net debt and operating netback do not have any standardized meanings under Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures presented by other entities. For additional information related to these measures, including a reconciliation to the nearest GAAP measures, where applicable, see "Non-GAAP and Other Financial Measures" in Gear's management's discussion and analysis.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") is Gear Energy Ltd. ("Gear" or the "Company") management's analysis of its financial performance. It is dated May 1, 2024 and should be read in conjunction with the unaudited Interim Condensed Financial Statements as at and for the three months ended March 31, 2024 and the audited Consolidated Financial Statements as at and for the year ended December 31, 2023. Both statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

ABOUT GEAR ENERGY LTD.

Gear is a Canadian exploration and production company with heavy and light oil production in Central Alberta, West Central Saskatchewan and Southeast Saskatchewan. Presently, Gear has 28 employees with 18 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 GENG.F.

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

The four months of 2024 started off strongly for oil prices, with WTI averaging US\$84 per barrel for the month of April. The Canadian energy industry also received some good news, with the Trans Mountain pipeline expansion finally set to be operational in May 2024. The pipeline expansion will offer Canadian producers long awaited access to international markets and a far more competitive outlook for heavy oil prices.

2024 GUIDANCE

Table 1

	2024 Guidance	Q1 2024 YTD Actuals
Annual production (boe/d)	6,000	5,714
Heavy oil weighting (%)	51	46
Light oil, medium oil and NGLs weighting (%)	37	41
Royalty rate (%)	12	13
Operating and transportation costs (\$/boe)	24.70	23.50
General and administrative expense (\$/boe)	3.20	5.60
Interest and other expense (\$/boe)	0.50	1.19
Capital and abandonment expenditures (\$ millions) ⁽¹⁾	57	10

(1) Capital and abandonment expenditures includes decommissioning liability expenditures made by Gear.

There are no changes to the 2024 guidance at this time.

On an annualized basis, Gear forecasts its \$0.005 per share per month dividend to total approximately \$16.0 million. Gear estimates that WTI would have to average US\$74 per barrel in order for FFO to equal the 2024 forecasted capital and abandonment expenditures of \$57.0 million and the current annualized dividend. Any future increase in commodity prices beyond these base assumptions will provide incremental FFO after 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.

METRICS

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

Table 2

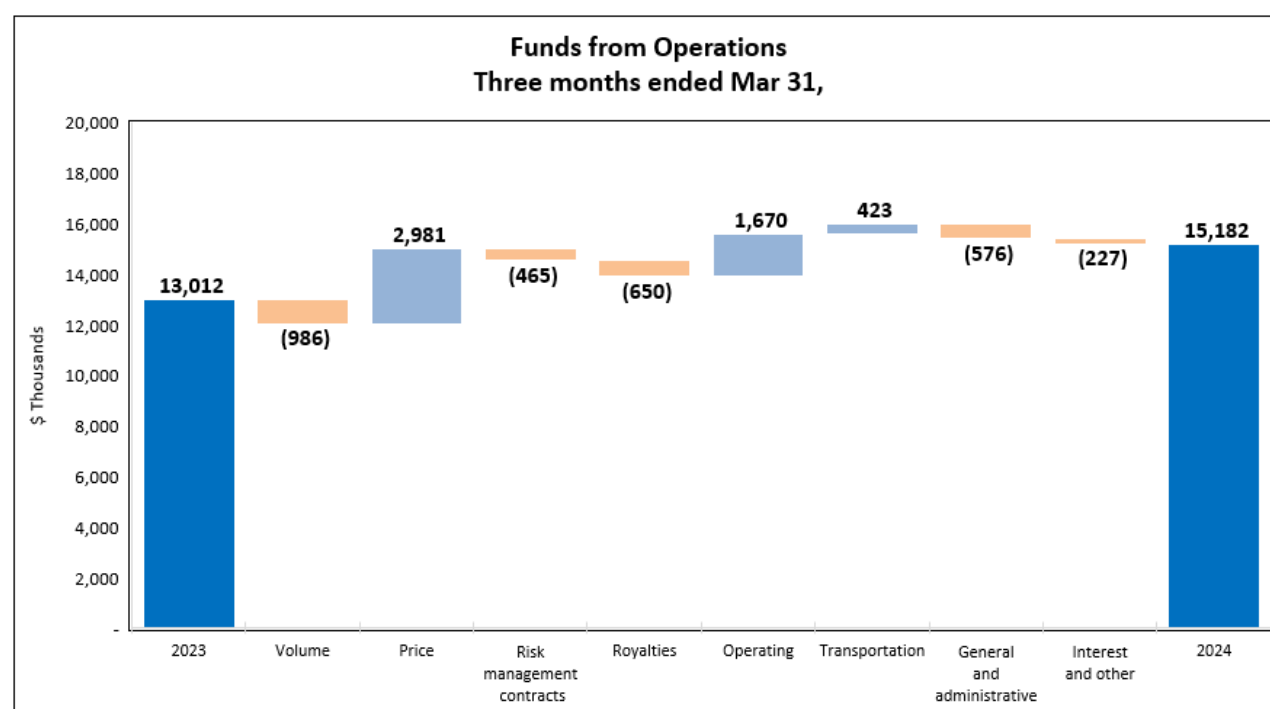
	Three months ended			
	Mar 31, 2024	Mar 31, 2023	% Change	Dec 31, 2023
Funds from operations per debt adjusted share ⁽¹⁾	0.054	0.048	13	0.059
Cash flows from operating activities per debt adjusted share ⁽¹⁾	0.037	0.055	(33)	0.063
Production, boepd per debt adjusted thousand shares ⁽¹⁾	0.020	0.022	(9)	0.021

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

2024 FIRST QUARTER FINANCIAL AND OPERATIONAL RESULTS

Funds from Operations and Cash Flows from Operating Activities

Funds from operations increased from \$13.0 million or \$24.29 per boe in the first quarter of 2023 to \$15.2 million or \$29.20 per boe in the first quarter of 2024. The increase in funds from operations are the result of increased revenues due to higher realized commodity prices and decreased operating and transportation costs, partially offset by decreased sales volumes, increased royalties, general and administrative and interest and other costs and decreased gains on risk management contracts.

**Table 3**

	Three months ended Mar 31	
	\$ thousands	\$/boe
Q1 2023 Funds from operations ⁽¹⁾	13,012	24.29
Volume variance	(986)	-
Price variance	2,981	5.74
Risk management contracts	(465)	(0.87)
Royalties	(650)	(1.48)
Expenses:		
Operating and transportation	2,093	3.21
General and administrative	(576)	(1.24)
Interest and other	(227)	(0.45)
Q1 2024 Funds from operations ⁽¹⁾	15,182	29.20

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

Cash flows from operating activities decreased from \$14.9 million or \$27.88 per boe in the first quarter of 2023 to \$10.5 million or \$20.13 per boe in the first quarter of 2024. The decrease in cash flows from operating activities are the result of decreased sales volumes, increased royalties, general and administrative and interest and other costs, decreased gains on risk management contracts and increased decommissioning liabilities settled by Gear, partially offset by increased revenues due to higher realized commodity prices and decreased operating and transportation costs.

Net income

Gear generated net income of \$2.6 million for the three months ended March 31, 2024, compared to a net income of \$2.0 million for same period in 2023. The change in net income is due to several factors discussed below. Net income increased from a net loss of \$7.1 million for the fourth quarter of 2023 to net income of \$2.6 million for the first quarter of 2024 mainly due to the recognition of a deferred income tax expense in the fourth quarter of 2023.

Production

Sales production volumes averaged 5,714 boe per day for the first quarter of 2024 compared to 5,952 boe per day for the same period in 2023. In the first quarter of 2024, Gear drilled 4 gross (4 net) wells, of which all were brought on production during the period. Collectively, the new wells drilled during the first quarter of 2024 have shown strong production totaling approximately 400 boe per day of oil for April 2024.

Sales production volumes decreased during the quarter compared to the fourth quarter of 2023 due to natural well declines and the extreme cold snap in January 2024 that temporarily froze off approximately 25 per cent of Gear's production, partially offset by production from new wells drilled. Production has since recovered and averaged approximately 6,000 boe per day for the month of March 2024.

Gear had an inventory build of approximately 7,700 barrels in the first quarter of 2024 over the fourth quarter of 2023. As at March 31, 2024, Gear had approximately 131 thousand barrels of oil in inventory.

Table 4

Production	Three months ended			Dec 31, 2023
	Mar 31, 2024	Mar 31, 2023	% Change	
Liquids (bbl/d)				
Heavy oil (bbl/d)	2,633	2,734	(4)	2,937
Light and medium oil (bbl/d)	2,007	2,045	(2)	1,920
Natural gas liquids (bbl/d)	311	292	7	327
Total liquids (bbl/d)	4,951	5,071	(2)	5,184
Natural gas (mcf/d)	4,579	5,287	(13)	4,893
Total production (boe/d) ⁽¹⁾	5,714	5,952	(4)	6,000
% Liquids production	87	85	2	86
% Natural gas production	13	15	(13)	14

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

Petroleum and natural gas sales

Sales of crude oil, natural gas and natural gas liquids for the first quarter of 2024 totaled \$35.7 million, an increase of six per cent compared to \$33.7 million for the same period in 2023. This increase is the result of higher realized commodity prices, partially offset by a decrease in production volumes.

Sales of crude oil, natural gas and natural gas liquids decreased from \$37.5 million for the previous quarter to \$35.7 million. This decrease is the result of lower production volumes, partially offset by higher realized commodity prices.

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

Table 5

Sales by product (\$ thousands)	Three months ended			Dec 31, 2023
	Mar 31, 2024	Mar 31, 2023	% Change	
Heavy oil	17,284	13,977	24	19,115
Light and medium oil	15,916	16,879	(6)	16,080
Natural gas liquids	1,462	1,331	10	1,334
Natural gas	1,008	1,488	(32)	995
Total petroleum and natural gas sales	35,670	33,675	6	37,524

Commodity Prices

Table 6

Average benchmark prices	Three months ended			
	Mar 31, 2024	Mar 31, 2023	% Change	Dec 31, 2023
WTI oil (US\$/bbl) ⁽¹⁾	76.96	76.13	1	78.32
WCS heavy oil (Cdn\$/bbl) ⁽²⁾	77.74	69.43	12	76.89
MSW ⁽³⁾ (Cdn\$/bbl)	92.16	99.03	(7)	99.63
LSB (Cdn\$/bbl) ⁽⁴⁾	89.57	94.03	(5)	97.11
AECO natural gas (\$/mcf) ⁽⁵⁾	2.78	3.21	(13)	2.30
Cdn\$ / US\$ exchange rate	1.35	1.35	-	1.36

Gear realized prices

Heavy oil (\$/bbl)	72.15	56.80	27	70.74
Light and medium oil (\$/bbl)	87.16	91.68	(5)	91.01
Natural gas liquids (\$/bbl)	51.67	50.69	2	44.44
Natural gas (\$/mcf)	2.42	3.13	(23)	2.21
Realized price before risk management contracts (\$/boe)	68.60	62.86	9	67.98
Realized risk management gain (\$/boe)	-	0.87	(100)	1.24
Realized price after risk management contracts (\$/boe)	68.60	63.73	8	69.22

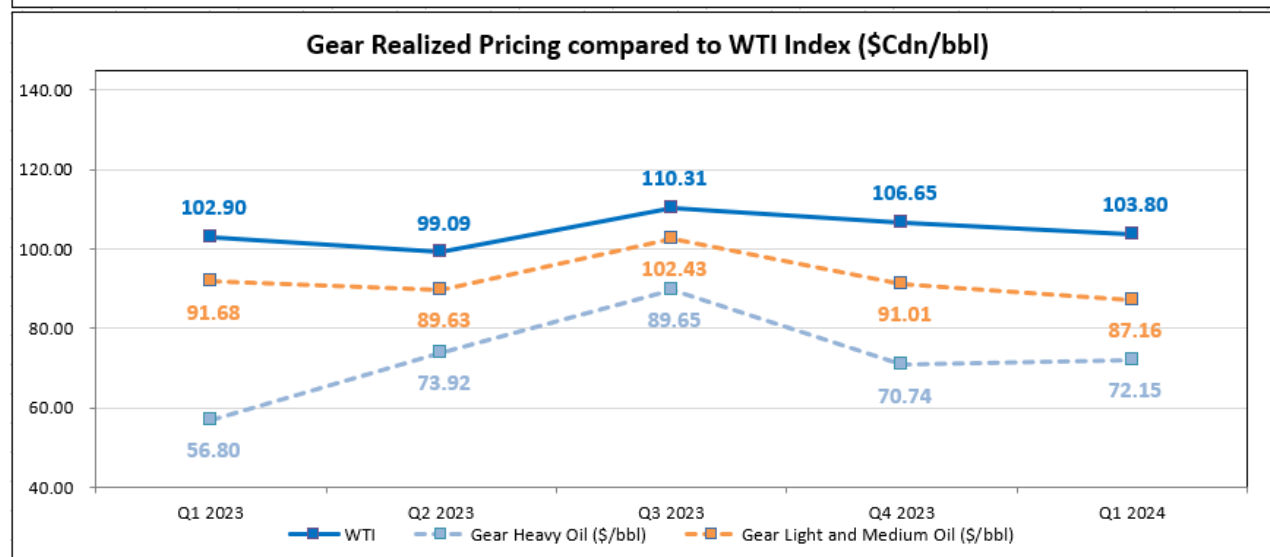
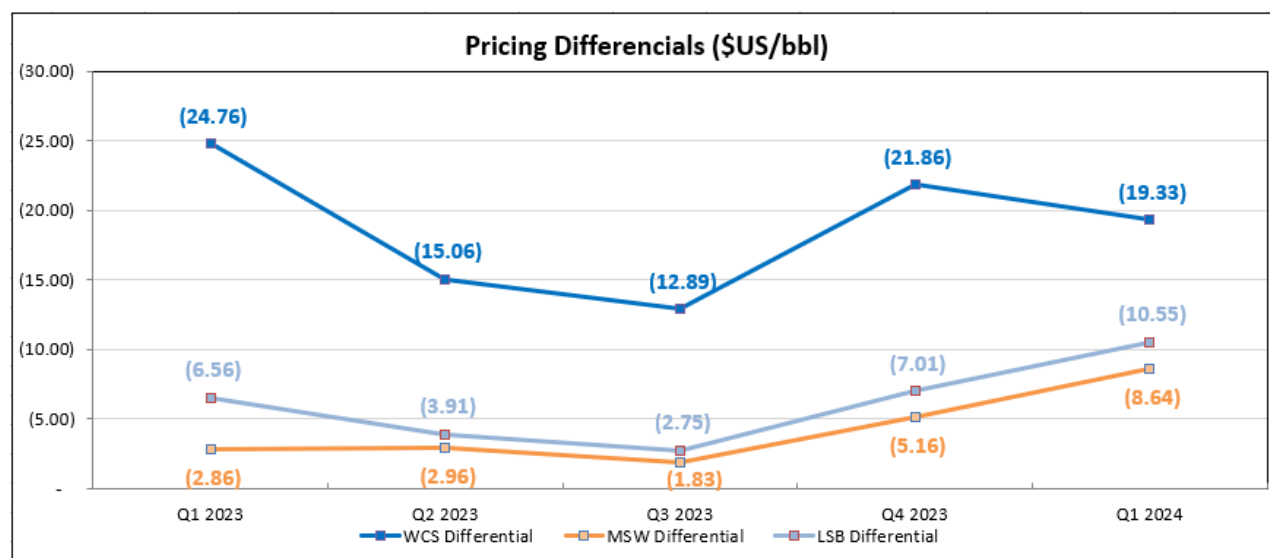
(1) WTI represents the posting price of West Texas Intermediate oil.

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

(3) MSW represents the Mixed Sweet Blend 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.



Gear's realized pricing for the first quarter of 2024 was \$68.60 per boe, an increase compared to \$62.86 per boe for the same period of 2023 and \$67.98 per boe for the previous period. The increase from the first quarter of 2023 was mainly due to the narrowing of the WCS differential and increase in WTI pricing, partially offset by the widening of the MSW and LSB differentials. The increase from the previous quarter was mainly due to the narrowing of the WCS differential, slightly offset by the decrease in WTI and widening of the MSW and LSB differentials.

Royalties

For the first quarter of 2024, royalties as a percentage of commodity sales increased to 13.3 per cent from 12.1 per cent for the same period in 2023. This increase is the result of the increase in commodity prices which have led to higher crown royalty rates that change depending on price levels. The increase was also 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.

Royalties as a percentage of commodity sales decreased from 14.9 per cent for the fourth quarter of 2023 to 13.3 per cent for the first quarter of 2024. This decrease was mainly due to the new wells which have an initial lower royalty rate encumbrance than legacy production.

Table 7

Royalty expense (\$ thousands except % and per boe)	Three months ended			
	Mar 31, 2024	Mar 31, 2023	% Change	Dec 31, 2023
Royalty expense	4,741	4,091	16	5,578
Royalty expense as a % of sales	13.3	12.1	10	14.9
Royalty expense per boe	9.12	7.64	19	10.11

Operating and Transportation Expenses

Operating costs for the first quarter of 2024 decreased to \$19.92 per boe from \$22.45 per boe for the same period in 2023. This decrease is mainly the result of decreased energy, maintenance and well servicing costs and decreased carbon taxes due to gas conservation, partially offset by general inflationary pressures on the business.

Operating costs decreased from \$21.52 per boe for the previous quarter to \$19.92 per boe for the first quarter of 2024. This decrease is mainly the result of decreased trucking and maintenance costs and decreased carbon taxes due to gas conservation.

Transportation expenses for the first quarter of 2024 was \$3.57 per boe, a decrease compared to \$4.25 per boe for the first quarter of 2023. This decrease was mainly due to an additional transportation fee of \$0.87 per boe during the first quarter of 2023 associated with a third-party gas gathering system in southeast Saskatchewan, partially offset by increases due to inflationary pressures in the form of fuel surcharges from trucking companies.

Transportation expenses for the first quarter of 2024 increased slightly from \$3.48 per boe for the previous quarter to \$3.57 per boe. This increase was mainly due to inflationary pressures in the form of fuel surcharges from trucking companies.

Table 8 below summarizes the operating and transportation expenses:

Table 8

Operating and Transportation expenses (\$ thousands except per boe)	Three months ended			
	Mar 31, 2024	Mar 31, 2023	% Change	Dec 31, 2023
Operating expense	10,359	12,029	(14)	11,879
Transportation expense	1,856	2,279	(19)	1,921
Operating and transportation expense	12,215	14,308	(15)	13,800
Operating expense per boe	19.92	22.45	(11)	21.52
Transportation expense per boe	3.57	4.25	(16)	3.48
Operating and transportation expense per boe	23.49	26.70	(12)	25.00

Operating Netbacks

Gear's operating netback prior to risk management contracts increased to \$35.99 per boe for the first quarter of 2024 from \$28.52 per boe for the same period in 2023. The increase in operating netback was primarily due to the increase in commodity prices and lower operating and transportation costs, partially offset by higher royalties.

Gear's operating netback prior to risk management contracts increased to \$35.99 per boe from \$32.87 per boe for the previous period. The increase in operating netback was primarily the result of increased commodity prices and decreased royalties and operating costs, partially offset by higher transportation costs.

The components of operating netbacks are summarized in Table 10:

Table 10

Operating netback (\$ per boe)	Three months ended			
	Mar 31, 2024	Mar 31, 2023	% Change	Dec 31, 2023
Sales	68.60	62.86	9	67.98
Royalties	(9.12)	(7.64)	19	(10.11)
Operating costs	(19.92)	(22.45)	(11)	(21.52)
Transportation costs	(3.57)	(4.25)	(16)	(3.48)
Operating netback ⁽¹⁾	35.99	28.52	26	32.87

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

General and Administrative (“G&A”) Expenses and Share-based Compensation (“SBC”)

G&A expenses for the first quarter of 2024 totaled \$2.9 million compared to \$2.3 million for the same period in 2023. The majority of the increase relates to non-recurring restructuring costs and performance bonuses declared and paid. G&A expenses nearly doubled from the previous quarter of \$1.5 million also due to non-recurring restructuring costs and the 2023 performance bonuses declared and paid in the first quarter of 2024. Gear capitalized \$0.5 million of G&A compared to \$0.7 million for the same period in 2023 and \$0.3 million for the previous quarter. The fluctuations in capitalized G&A are a result of movements related to the performance bonuses declared during the first quarter of 2023 and 2024. G&A on a per boe basis was \$5.60 per boe compared to \$4.36 per boe for the same period in 2023 and \$2.70 per boe for the previous quarter.

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

Table 11

G&A and SBC expense (\$ thousands except per boe)	Three months ended			
	Mar 31, 2024	Mar 31, 2023	% Change	Dec 31, 2023
G&A, before recoveries and capitalized G&A	3,454	3,125	11	1,889
Overhead recoveries	(49)	(67)	(27)	(50)
Capitalized G&A	(494)	(723)	(32)	(348)
G&A	2,911	2,335	25	1,491
SBC expense	281	325	(14)	350
G&A per boe	5.60	4.36	28	2.70
SBC expense per boe	0.54	0.61	(11)	0.63

SBC is related to the granting of stock options. There were 3.3 million options granted during the first quarter of 2024 at an average exercise price of \$0.66. In addition, 2.6 million options expired at an average exercise price of \$1.18 and 1.4 million options were exercised at an average exercise price of \$0.24. As at March 31, 2024 a total of 16.3 million options with a weighted average exercise price of \$1.02 per share were outstanding, representing approximately 6.2 per cent of the 263.3 million total common shares outstanding. Each option entitles the holder to acquire one Gear common share. As at December 31, 2023, a total of 17.0 million options were outstanding. For further information on Gear’s stock options, see the notes to the unaudited Interim Condensed Consolidated Financial Statements. At the date of this MD&A, Gear had a total of 14.9 million options outstanding at a weighted average exercise price of \$1.02 per share. Subsequent to March 31, 2024, 0.4 million options were exercised, 0.5 million options expired and 0.5 million options were forfeited.

Interest and Other

In the first quarter of 2024, interest and other totaled \$0.6 million compared to \$0.4 million in the same period of 2023 and \$0.6 million in the previous quarter. Gear’s interest rate on its Credit Facilities (as defined herein) is dependent on its facilities borrowings, inclusive of working capital, in comparison to its earnings before interest, taxes, depletion, depreciation, amortization, and accretion (“Senior Debt to EBITDA Ratio”) on a rolling six month period. The increase in interest and financing charges from the same period of 2023 is due to an increase in market interest rates as well as an increase in Gear’s debt balance during the three months period ended March 31, 2024.

Table 12 is a breakdown of interest and other:

Table 12

Interest and other (\$ thousands except per boe)	Three months ended			
	Mar 31, 2024	Mar 31, 2023	% Change	Dec 31, 2023
Interest expense	479	299	60	477
Financing charges	75	37	103	75
Standby fees	67	55	22	69
Realized loss on foreign exchange	-	3	(100)	1
Interest and other	621	394	58	622
Interest and other per boe	1.19	0.74	61	1.13

Risk Management Contracts

Gear has a mandate to protect its balance sheet and capital program for the current and upcoming year by reducing fluctuations in both its funds from operations and assigned borrowing base on its Credit Facilities. To do this, Gear uses or plans to use a variety of derivative instruments to reduce its exposure to fluctuations in commodity prices, foreign exchange rates and interest rates. Gear has not designated its risk management contracts as effective hedges, and thus has not applied hedge accounting. 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 first quarter of 2024, Gear realized gains on risk management contracts of \$nil compared to gains of \$0.5 million for the same period in 2023 and \$0.7 million for the previous quarter. The fair value of all outstanding contracts at March 31, 2024 was a liability of \$1.0 million.

Table 13 summarizes Gear's financial risk management contracts as at March 31, 2024:

Table 13

Financial WTI crude oil contracts

Term	Contract	Currency	Volume bbl/d	Sold Swap \$/bbl	Sold Call \$/bbl	Bought Put \$/bbl	Sold Put \$/bbl
Apr 1, 2024 - Dec 31, 2024	Three-way collar	CAD	1,000	-	110.00	95.00	85.00

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

DD&A during the first quarter of 2024 was \$20.74 per boe compared to \$19.72 per boe for the same period in 2023 and \$20.46 per boe for the previous quarter. The increase in the DD&A rate from the first quarter of 2023 was mainly due to inflationary pressures resulting in both higher capital expenditures and future development cost estimates over Gear's reserves base.

As at March 31, 2024 and December 31, 2023, no indicators of impairment were identified related to Gear's Cash-Generating Units. As a result of this assessment, impairment tests were not performed.

As at March 31, 2024 and December 31, 2023, Gear recorded oil inventory valued at its production cost. No impairments on inventory were recorded in 2023 or the first quarter of 2024.

Table 14 is a breakdown of DD&A expenses and impairment:

Table 14

DD&A rate (\$ thousands except per boe)	Three months ended			
	Mar 31, 2024	Mar 31, 2023	% Change	Dec 31, 2023
DD&A	10,785	10,563	2	11,294
Total DD&A rate per boe	20.74	19.72	5	20.46

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 March 31, 2024 and 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. Included in this tax basis are estimated non-capital loss carry forwards that expire in the years 2027 through 2043. No cash income taxes were paid in 2023 and 2022.

At March 31, 2024, Gear's estimated tax pools were relatively unchanged from the \$617.3 million as at December 31, 2023.

Capital Expenditures

A breakdown of capital expenditures is shown in Table 15:

Table 15

Capital expenditures (\$ thousands)	Three months ended			Dec 31, 2023
	Mar 31, 2024	Mar 31, 2023	% Change	
Drilling and completions	6,070	11,858	(49)	8,064
Production equipment and facilities	1,171	5,669	(79)	2,530
Geological and geophysical	-	129	(100)	38
Undeveloped land	142	298	(52)	82
Other	217	38	471	37
Total capital expenditures	7,600	17,992	(58)	10,751

Capital expenditures for the first quarter of 2024 were \$7.6 million compared to \$18.0 million in the same period in 2023 and \$10.8 million in the previous quarter. The decrease in drilling costs during the first quarter of 2024 compared to the same period in 2023 was due to lower capital activity and the type of wells that were drilled, with more focus on less expensive single lateral wells in the current quarter. During the first quarter of 2024, despite the increase in wells drilled, drilling costs decreased compared to the previous period due to Gear's focus on heavy oil wells in the current quarter compared to multistage fractured light oil wells in the previous quarter. Production equipment and facility costs during the first quarter of 2024 decreased to \$1.2 million compared to \$5.7 million for the same period in 2023 and \$2.5 million for the previous quarter. These decreases are mainly due to investments in the waterflood expansion in 2023. Production equipment and facilities costs for the first quarter of 2024 were mainly to tie in wells drilled during the quarter.

Gear drilled the following wells summarized in Table 16:

Table 16

Net well count	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Dec 31, 2023
Heavy oil			
Multi-lateral	1.0	2.0	-
Multistage fractured	-	2.0	-
Single lateral	3.0	-	-
Light oil			
Multistage fractured	-	-	2.0
Total	4.0	4.0	2.0

Decommissioning Liability

At March 31, 2024, Gear recorded a decommissioning liability of \$63.4 million (\$66.1 million at December 31, 2023) 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, 2023) and discounted using a risk free rate of 3.34 per cent (3.02 per cent at December 31, 2023). Abandonment cost estimates are derived from management assumptions and based on historical abandonment expenditures. The decrease in liability is mainly the result of the increase in the discount factor and the abandonment expenditures by Gear during the period, partially offset by an increase in cost estimates and new wells drilled during the first quarter of 2024. Decommissioning liabilities settled by Gear in the first quarter of 2024 were \$2.3 million. During the first quarter of 2024, Gear focused on an abandonment and reclamation program in British Columbia.

Capitalization, Financial Resources and Liquidity

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

Table 17

Debt	Mar 31, 2024	Dec 31, 2023
(\$ thousands except ratio amounts)		
Net debt ⁽¹⁾	(12,462)	(14,099)
Net debt to trailing twelve-month funds from operations ⁽¹⁾	0.2	0.2
Net debt to quarterly annualized funds from operations ⁽¹⁾	0.2	0.2
Common shares outstanding	263,264	262,250

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

Gear continues to maintain a low net debt to trailing twelve-month funds from operations as at March 31, 2024. Net debt decreased from \$14.1 million at December 31, 2023 to \$12.5 million at March 31, 2024 as a result of higher commodity prices and decreased capital investment during the first quarter. During the first quarter of 2024, Gear had a \$1.0 million draw on its Credit Facilities.

Credit Facilities

Gear presently has credit facilities consisting of a \$40.0 million revolving credit facility and a \$10.0 million operating facility (the "Credit Facilities").

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

Table 18

Facility	Borrowing base		Maturity Date
	Mar 31, 2024	Dec 31, 2023	
Revolving	40.0	40.0	May 25, 2025
Operating	10.0	10.0	May 25, 2025
Total	50.0	50.0	

At March 31, 2024 Gear had \$22.2 million drawn on the Credit Facilities (December 31, 2023 – \$21.2 million) and outstanding letters of credit of \$0.8 million (December 31, 2023 – \$0.9 million). At March 31, 2024 and December 31, 2023, Gear's debt was classified as long term. The Credit Facilities do not carry any financial covenants. Gear has an outstanding letter of credit with a counterparty separate from the Credit Facilities for \$0.8 million (December 31, 2023 – \$nil).

The total stamping fees on the operating facility and revolving facility 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 February 21, 2024, Gear announced the approval of its 2024 Normal Course Issuer Bid ("2024 NCIB") by the TSX. The 2024 NCIB allows the Company to purchase for cancellation, up to approximately 24.2 million of its outstanding common shares commencing on February 26, 2024, continuing until February 25, 2025, when the bid expires, or such earlier date on which Gear has either acquired the maximum number of common shares allowable under the 2024 NCIB or otherwise decides not to make any further repurchases under the 2024 NCIB. Purchases are 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 repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. When the carrying value exceeds the purchase price the excess is credited to contributed surplus or conversely the excess of the purchase price over the carrying value is recognized as a deduction from retained earnings. The Company did not repurchase common shares during the three months period ended March 31, 2024.

As at March 31, 2024, Gear had 263.3 million common shares outstanding. The increase since December 31, 2023, is due to stock option exercises during the first quarter of 2024. At December 31, 2023, Gear had 262.3 million common shares outstanding. At the date of this MD&A, Gear had 263.6 million shares outstanding.

Table 19 shows Gear's trading statistics:

Table 19

Trading statistics (\$ based on intra-day trading)	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Dec 31, 2023
High	0.69	1.17	0.89
Low	0.60	0.90	0.62
Close	0.66	1.03	0.64
Average daily volume (thousands)	858	3,124	1,418

As at March 31, 2024, a total of 16.3 million options were outstanding with a weighted average exercise price of \$1.02 per share. Each option entitles the holder to acquire one Gear common share. At the date of this MD&A, Gear had 14.9 million options outstanding at a weighted average exercise price of \$1.02 per share. Subsequent to March 31, 2023, 0.4 million options were exercised, 0.5 million options expired and 0.5 million options were forfeited.

Dividends

Table 20 shows a breakdown of Gear's dividends for the first quarter of 2024 and the year ended December 31, 2023:

Table 20

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

Declaration date	Record date	Payment date	Dividends per common share	Dividends (\$ thousands)
January 2, 2024	January 15, 2024	January 31, 2024	\$ 0.005	\$ 1,311
February 1, 2024	February 15, 2024	February 29, 2024	0.005	1,311
March 4, 2024	March 15, 2024	March 29, 2024	0.005	1,312
Total for the three months ended March 31, 2024			0.015	\$ 3,935

During the first quarter of 2024, Gear approved and declared \$3.9 million in dividends compared to \$7.8 million for the same period in 2023. For the year ended December 31, 2023, Gear approved and declared \$24.9 million in dividends.

Subsequent to period end, on April 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 April 15, 2024. The dividend was paid April 30, 2024.

Subsequent to period end, on May 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 May 15, 2024. The dividend payment date is scheduled for May 31, 2024.

Environmental, Social, and Governance Initiatives Impacting Gear

Environmental

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

In almost all areas, Gear has been accessing reservoirs using multi-well pad and multi-leg horizontal drilling designs, materially reducing the surface footprint required to access resources. Similarly, Gear has been implementing,

optimizing, and expanding water flooding projects in multiple core areas. These water floods allow Gear to efficiently access incremental resources that would be left behind under primary recovery without expanding surface footprints.

Significant effort continues to be focused on the abandonment and reclamation of inactive wells. The forecast for 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 first quarter of 2024, Gear focused on the abandonment and reclamation program in British Columbia.

Social

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

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

Governance

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

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

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

Contractual Obligations and Commitments

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

In addition to the Credit Facilities, as at March 31, 2024, 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 \$0.9 million. The service commitment relates to a software agreement that expires in 2026 with a remaining commitment of \$0.4 million. For further information see Note 11 “Commitments and Contingencies” in the notes to the unaudited Interim Condensed Consolidated Financial Statements.

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

Non-GAAP and Other Financial Measures

Gear uses certain non-GAAP and other financial measures to analyze financial and operating performance. These specified financial measures include non-GAAP financial measures, non-GAAP ratios, total of segments measures, capital management measures and supplementary financial measures, and are not defined by IFRS and are therefore referred to as non-GAAP and other financial measures. Management believes that the non-GAAP and other financial measures used by the Company are key performance measures for Gear and provide investors with information that is

commonly used by other oil and gas companies. These key performance indicators and benchmarks as presented do not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other entities. These non-GAAP and other financial measures should not be considered an alternative to or more meaningful than their most directly comparable financial measure presented in the financial statements, as an indication of the Company's performance. Descriptions of the non-GAAP and other financial measures used by the Company as well as reconciliations to the most directly comparable GAAP measure for the quarter ended March 31, 2024 and year ended December 31, 2023, 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 21 below reconciles cash flows from operating activities to funds from operations:

Table 21

(\$ thousands)	Mar 31, 2024	Three months ended	
		Mar 31, 2023	Dec 31, 2023
Cash flows from operating activities	10,466	14,933	17,813
Decommissioning liabilities settled ⁽¹⁾	2,299	441	2,560
Change in non-cash operating working capital	2,417	(2,362)	(3,656)
Funds from operations	15,182	13,012	16,717

(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 22 below reconciles debt to net debt:

Table 22

Capital structure and liquidity (\$ thousands)	Mar 31, 2024	Dec 31, 2023
Debt	(22,167)	(21,155)
Working capital surplus ⁽¹⁾	9,705	7,056
Net debt	(12,462)	(14,099)

(1) Excludes risk management contracts and decommissioning liabilities.

At March 31, 2024, Gear had a working capital surplus. When in a deficit position, the Company is able to meet obligations as they come due by drawing on the Credit Facilities. Gear actively manages its liquidity through strategies such as continuously monitoring forecasted and actual cash flows from operating, financing and investing activities, available credit under existing banking arrangements and opportunities to issue additional equity. After examining the economic factors that could cause liquidity risk, the Company believes it will have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months. There can be no assurance that future borrowing base reviews will not result in a material reduction in the borrowing base, and that the necessary funds will be available to meet its obligations as they become due.

Net debt to trailing twelve-month funds from operations

Net debt to trailing twelve-month funds from operations is a non-GAAP ratio and is defined as net debt, as defined and reconciled to debt above, divided by the funds from operations, as defined and reconciled to cash flows from operating activities above, for the most recent trailing twelve-month period. Gear uses net debt to funds from operations to analyze financial and operating performance. Gear considers this a key measure for management and investors as it demonstrates the Company's ability to pay off its debt and take on new debt, if necessary, using the most recent trailing twelve-month results. When the Company is in a net surplus position, the Company's net debt to funds from operations is not applicable.

Net debt to quarterly annualized funds from operations

Net debt to quarterly annualized funds from operations is a non-GAAP ratio and is defined as net debt, as defined and reconciled to debt above, divided by the annualized funds from operations, as defined and reconciled to cash flows from operating activities above, for the most recently completed quarter. Gear uses net debt to quarterly annualized funds from operations to analyze financial and operating performance. Gear considers this a key measure for management and investors as it demonstrates the Company's ability to pay off its debt and take on new debt, if necessary, using the most recent quarter's results. When the Company is in a net surplus position, the Company's net debt to annualized funds from operations is not applicable.

Debt adjusted shares

Debt adjusted shares is a non-GAAP financial measure calculated as the weighted average shares minus the share equivalent when Gear has an average net surplus position, or plus the share equivalent when Gear has an average net debt position, as defined and reconciled to debt above, over the period. This assumes that net surplus is used to repurchase shares or net debt is extinguished with an issuance based on a certain share price; however, it should be noted that Gear's bank debt is not convertible into shares. The calculation of debt adjusted shares assumes that Gear issues shares for cash proceeds and such proceeds are used to repay the amounts outstanding under the Company's bank debt, or Gear has the ability to repurchase shares when in a net surplus position. Gear has used the ten-day volume weighted average share price ending at the end of the period as this share price better captures the actual price that could be theoretically used in the event that shares are hypothetically issued to extinguish outstanding debt or the price that the Company repurchases shares at. Gear considers debt adjusted shares a useful measure for management and investors as it enables oil and gas companies to be put on an equal, enterprise value-based footing when calculating per share numbers.

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

Table 23

(thousands, except per share amounts)	Mar 31, 2024	Three months ended	
		Mar 31, 2023	Dec 31, 2023
Weighted average basic shares	262,399	260,693	262,247
Average share price ⁽¹⁾	0.64	0.97	0.65
Average net (debt) surplus ⁽²⁾	(13,281)	(8,748)	(13,698)
Share equivalent on average net (debt) surplus ⁽³⁾	20,752	9,019	21,074
Debt adjusted shares	283,151	269,712	283,321

(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 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.

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting

Gear's Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting ("ICFR") for Gear. They have, as at March 31, 2024, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework Gear's officers used to design the Company's ICFR is the Internal Control - Integrated Framework ("COSO Framework") published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

There were no changes in Gear's ICFR during the three months ended March 31, 2024 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Changes in Accounting Policies

The International Accounting Standards Board (IASB) issued two amendments to IAS 1 *Presentation of Financial Statements*, effective January 1, 2024, related to the classification of liabilities as current and non-current. The Company does not believe these amendments have any impact on the Company's financial statements or disclosures.

Forward-looking Information and Statements

This MD&A contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A contains forward-looking information and statements pertaining to the following: Gear's strategy for delivering per share growth and enhanced returns; Gear's expectation of the Trans Mountain pipeline expansion to be operational in May 2024 and the resulting impacts and expected benefits thereof; Gear's 2024 guidance including expected annual average production (including commodity weightings), expected royalty rate, expected operating and transportation costs, expected general and administrative costs, expected interest and other expense and expected capital and abandonment expenditures; Gear's forecasts and expectations of 2024 commodity prices, exchange rates 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 after 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 intended hedging strategy for 2024; Gear's estimated tax pools; Gear's estimate of its decommissioning liabilities; Gear's expected timing of the Credit Facilities next borrowing base review; Gear's expectations and beliefs relating to the 2024 NCIB; Gear's plans and expectations with respect to reducing methane and other emissions; Gear's expected abandonment and reclamation plans for 2024; the expectation of Gear's financial commitments under contractual commitments; Gear's expectation that current litigation will not have a material impact on Gear's financial position or results of operations; the Company's belief that it will have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months; and Gear's belief that the IASB amendments will not have any impact on the Company's financial statements or disclosures.

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

To the extent that any forward-looking information contained herein may be considered future oriented financial information or a financial outlook, such information has been included to provide readers with an understanding of management's assumptions used for budgeting and developing future plans and readers are cautioned that the information may not be appropriate for other purposes. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: the impact of the Russian-Ukraine war and the Israel-Palestine war on the global economy and commodity prices; the impacts of inflation and supply chain issues; pandemics, political events, natural disasters and terrorism; changes in commodity prices; changes in the demand for or supply of Gear's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Gear or by third party operators of Gear's properties, increased debt levels or debt service requirements; inability to obtain debt or equity financing as necessary to fund operations, capital expenditures and any

potential acquisitions; any ability for Gear to repay any of its indebtedness when due; inaccurate estimation of Gear's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in Gear's public documents including risk factors set out in Gear's most recent annual information form, which is available on SEDAR+ at www.sedarplus.ca.

The amount of future cash dividends paid by Gear, if any, will be subject to the discretion of the Board 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)	2024		2023			2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
FINANCIAL								
Petroleum and natural gas sales	35,670	37,524	41,409	36,106	33,675	39,278	44,840	57,635
Funds from operations ⁽¹⁾	15,182	16,717	20,978	17,108	13,012	18,676	22,544	33,770
Per weighted average basic share	0.06	0.06	0.08	0.07	0.05	0.07	0.09	0.13
Per weighted average diluted share	0.06	0.06	0.08	0.06	0.05	0.07	0.09	0.13
Cash flows from operating activities	10,466	17,813	17,532	13,311	14,933	18,565	26,196	29,668
Per weighted average basic share	0.04	0.07	0.07	0.05	0.06	0.07	0.10	0.11
Per weighted average diluted share	0.04	0.07	0.07	0.05	0.06	0.07	0.10	0.11
Net income (loss)	2,581	(7,104)	8,150	5,550	1,990	27,695	17,750	23,309
Per weighted average basic share	0.01	(0.03)	0.03	0.02	0.01	0.11	0.07	0.09
Per weighted average diluted share	0.01	(0.03)	0.03	0.02	0.01	0.10	0.07	0.09
Capital expenditures	7,600	10,751	12,008	7,370	17,992	18,899	14,872	8,091
Decommissioning liabilities settled - Gear	2,299	2,560	2,202	912	441	1,417	2,859	1,100
Decommissioning liabilities settled - Government ⁽²⁾	-	-	-	-	37	532	433	250
Net (debt) surplus ⁽¹⁾	(12,462)	(14,099)	(13,297)	(14,322)	(15,276)	(2,220)	6,959	9,775
Dividends declared and paid	3,935	3,934	5,243	7,849	7,826	7,795	7,751	2,610
Dividends declared and paid per share	0.015	0.015	0.020	0.030	0.030	0.030	0.030	0.010
Weighted average shares outstanding, basic (thousands)	262,399	262,247	262,139	261,629	260,693	259,908	258,385	260,561
Weighted average shares outstanding, diluted (thousands)	262,555	263,446	263,599	263,385	263,381	263,774	263,585	268,353
Shares outstanding, end of period (thousands)	263,264	262,250	262,220	262,115	261,212	260,693	259,367	258,173
OPERATING								
Production								
Heavy oil (bbl/d)	2,633	2,937	2,601	2,698	2,734	2,772	2,546	2,686
Light and medium oil (bbl/d)	2,007	1,920	1,890	1,955	2,045	1,835	1,971	1,980
Natural gas liquids (bbl/d)	311	327	233	279	292	299	320	243
Natural gas (mcf/d)	4,579	4,893	4,720	4,860	5,287	5,091	5,339	5,205
Total (boe/d)	5,714	6,000	5,511	5,742	5,952	5,755	5,727	5,777
Average prices								
Heavy oil (\$/bbl)	72.15	70.74	89.65	73.92	56.80	69.72	89.32	116.74
Light and medium oil (\$/bbl)	87.16	91.01	102.43	89.63	91.68	103.62	109.95	133.18
Natural gas liquids (\$/bbl)	51.67	44.44	46.53	40.74	50.69	58.48	60.62	72.59
Natural gas (\$/mcf)	2.42	2.21	2.64	2.22	3.13	5.11	4.47	7.38
Selected financial results (\$/boe)								
Petroleum and natural gas sales	68.60	67.98	81.67	69.10	62.86	74.19	85.10	109.63
Royalties	(9.12)	(10.11)	(9.74)	(8.20)	(7.64)	(10.40)	(12.14)	(15.56)
Operating costs	(19.92)	(21.52)	(23.57)	(21.54)	(22.45)	(21.55)	(21.16)	(21.86)
Transportation costs	(3.57)	(3.48)	(3.28)	(3.75)	(4.25)	(4.03)	(3.67)	(3.56)
Operating netback ⁽¹⁾	35.99	32.87	45.08	35.61	28.52	38.21	48.13	68.65
Realized risk management gain (loss)	-	1.24	1.00	1.37	0.87	-	(1.94)	(0.96)
General and administrative	(5.60)	(2.70)	(3.45)	(3.12)	(4.36)	(2.62)	(3.20)	(2.94)
Interest and other	(1.19)	(1.13)	(1.25)	(1.12)	(0.74)	(0.32)	(0.20)	(0.51)

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

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

Quarter over quarter fluctuations in revenue are the result of both the amount of oil volumes sent to sale as well as Gear's received price. Volume fluctuations are the result of well productivity and timing of deliveries to the sales point. The amount of volumes delivered to sale can be influenced by a variety of factors some of which include weather, truck and rail car availability, as well as pipeline apportionments. Gear's received price is based on WTI less the WCS, Canadian Light Sweet and LSB oil differentials and is further impacted by 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.

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