FINANCIAL AND OPERATIONAL HIGHLIGHTS

GEAR ENERGY

(Cdn$ thousands, except per share, share and per boe amounts)	Three months ended **Jun 30, 2024**	 Jun 30, 2023	 Mar 31, 2024	Six months ended **Jun 30, 2024**	 Jun 30, 2023
FINANCIAL					
Funds from operations [(1)]	**20,182**	17,108	15,182	**35,364**	30,120
Per boe	**39.46**	32.74	29.20	**34.28**	28.47
Per weighted average basic share	**0.08**	0.07	0.06	**0.13**	0.12
Cash flows from operating activities	**17,212**	13,311	10,466	**27,678**	28,244
Per boe	**33.65**	25.47	20.13	**26.83**	26.69
Per weighted average basic share	**0.07**	0.05	0.04	**0.11**	0.11
Net income	**9,388**	5,550	2,581	**11,969**	7,540
Per weighted average basic share	**0.04**	0.02	0.01	**0.05**	0.03
Capital expenditures	**11,688**	7,370	7,600	**19,288**	25,362
Decommissioning liabilities settled- Gear	**1,290**	912	2,299	**3,589**	1,353
Decommissioning liabilities settled- Government [(2)]	**-**	-	-	**-**	37
Net debt [(1)]	**(9,111)**	(14,322)	(12,462)	**(9,111)**	(14,322)
Dividends declared and paid	**3,953**	7,849	3,935	**7,888**	15,675
Dividends declared and paid per share	**0.015**	0.030	0.015	**0.030**	0.060
Weighted average shares, basic (thousands)	**263,537**	261,629	262,399	**262,968**	261,249
Shares outstanding, end of period (thousands)	**263,584**	262,115	263,264	**263,584**	262,115
OPERATING					
Production					
Heavy oil (bbl/d)	**2,745**	2,698	2,633	**2,689**	2,716
Light and medium oil (bbl/d)	**1,855**	1,955	2,007	**1,931**	2,000
Natural gas liquids (bbl/d)	**307**	279	311	**309**	285
Natural gas (mcf/d)	**4,285**	4,860	4,579	**4,432**	5,072
Total (boe/d)	**5,621**	5,742	5,714	**5,668**	5,846
Average prices					
Heavy oil ($/bbl)	**88.20**	73.92	72.15	**80.33**	65.35
Light and medium oil ($/bbl)	**101.19**	89.63	87.16	**93.90**	90.67
Natural gas liquids ($/bbl)	**44.30**	40.74	51.67	**48.01**	45.80
Natural gas ($/mcf)	**1.05**	2.22	2.42	**1.76**	2.69
Netback ($/boe)					
Petroleum and natural gas sales	**79.68**	69.10	68.60	**74.09**	65.94
Royalties	**(10.11)**	(8.20)	(9.12)	**(9.61)**	(7.91)
Operating costs	**(20.87)**	(21.54)	(19.92)	**(20.39)**	(22.00)
Transportation costs	**(3.36)**	(3.75)	(3.57)	**(3.46)**	(4.01)
Operating netback [(1)]	**45.34**	35.61	35.99	**40.63**	32.02
Realized risk management (loss) gain	**(0.32)**	1.37	-	**(0.16)**	1.12
General and administrative	**(4.42)**	(3.12)	(5.60)	**(5.01)**	(3.75)
Interest and other	**(1.14)**	(1.12)	(1.19)	**(1.18)**	(0.92)

(1) Funds from operations (including per boe and per weighted average basis per share), 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 half 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 July 31, 2024 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements as at and for the three and six months ended June 30, 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 and Other Financial Measures" and "Forward-Looking Information and Statements" included at the end of this MD&A. All figures are in Canadian dollar thousands unless otherwise noted.

ABOUT GEAR ENERGY LTD.

Gear is a Canadian exploration and production company with heavy and light oil production in Alberta and Saskatchewan. Presently, Gear has 30 employees with 20 staff in the Calgary office and 10 employees located in Gear's operating areas. Gear also has a number of contractors in the Calgary office, and contract operators in the field. The Company trades on the Toronto Stock Exchange ("TSX") under the symbol GXE and on the OTCQX under the symbol GENGF.

Gear's vision is to be a leading junior oil and gas exploration and production company that is renowned for differentiated profitability, operational excellence and meaningful value creation for shareholders.

Gear's mission is to maximize full cycle profits and deliver superior total shareholder returns by establishing dominant positions in our core operating areas. The Company is committed to simplifying and high grading the business that will allow us to build and leverage technical expertise, increase operational focus, and create lasting strategic advantages. The primary focus is developing and funding high-quality, internally generated organic growth opportunities.

Ultimately, Gear aims to position the Company as a high torque, pure organic growth company with a material inventory of low risk, top quartile oil and condensate development locations.

Following the recent leadership change at Gear, the Company is focused on the following strategic priorities:

- Building a talented and entrepreneurial team - foster a culture of accountability and continuous improvement
- Executing the 2024 program - ensure disciplined capital allocation to highest return projects
- Establishing improved operational efficiency - increase the return on every shareholder dollar invested
- Re-characterizing existing assets – maximize existing inventory and identify new prospective opportunities

2024 GUIDANCE

Table 1

	2024 Revised Guidance	2024 Previous Guidance	Q2 2024 YTD Actuals
Annual production (boe/d)	**5,400 – 5,600**	6,000	5,668
Heavy oil weighting (%)	**49**	51	47
Light oil, medium oil and NGLs weighting (%)	**39**	37	40
Royalty rate (%)	**13**	12	13
Operating and transportation costs ($/boe)	**24.50**	24.70	23.85
General and administrative expense ($/boe)	**4.25**	3.20	5.01
Interest and other expense ($/boe)	**1.00**	0.50	1.18
Capital and abandonment expenditures ($ millions)(1)	**40**	57	23

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

With a new leadership team and strategic direction, Gear plans on reducing 2024 capital expenditures from $57 million to $40 million. Gear originally had planned to drill 22 gross (22 net) wells in 2024 and now plans to drill only 13 gross (13 net) wells while it shifts capital towards expanding the land and seismic budgets by approximately $4 million. This decision was driven by the commitment to maximizing long-term shareholder value.

Concurrent with the reduction in capital expenditures and wells drilled, Gear is reducing its 2024 annual production guidance from 6,000 boe per day to a range of 5,400 to 5,600 boe per day. The revised guidance is a result of a reduced capital program, and a voluntary shut-in of certain low netback gas wells due to the current low gas price environment.

Gear will constantly evaluate opportunities to invest shareholder capital, targeting superior long-term returns. As such, Gear may accordingly recommence drilling in the fourth quarter of 2024.

METRICS

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

Table 2

	Three months ended				Six months ended		
	Jun 30, 2024	Jun 30, 2023	% Change	Mar 31, 2024	**Jun 30, 2024**	Jun 30, 2023	% Change
Funds from operations per debt adjusted share [(1)]	**0.072**	0.062	16	0.054	**0.126**	0.112	13
Cash flows from operating activities per debt adjusted share [(1)]	**0.062**	0.048	29	0.037	**0.099**	0.105	(6)
Production, boepd per debt adjusted thousand shares [(1)]	**0.020**	0.021	(5)	0.020	**0.020**	0.022	(9)

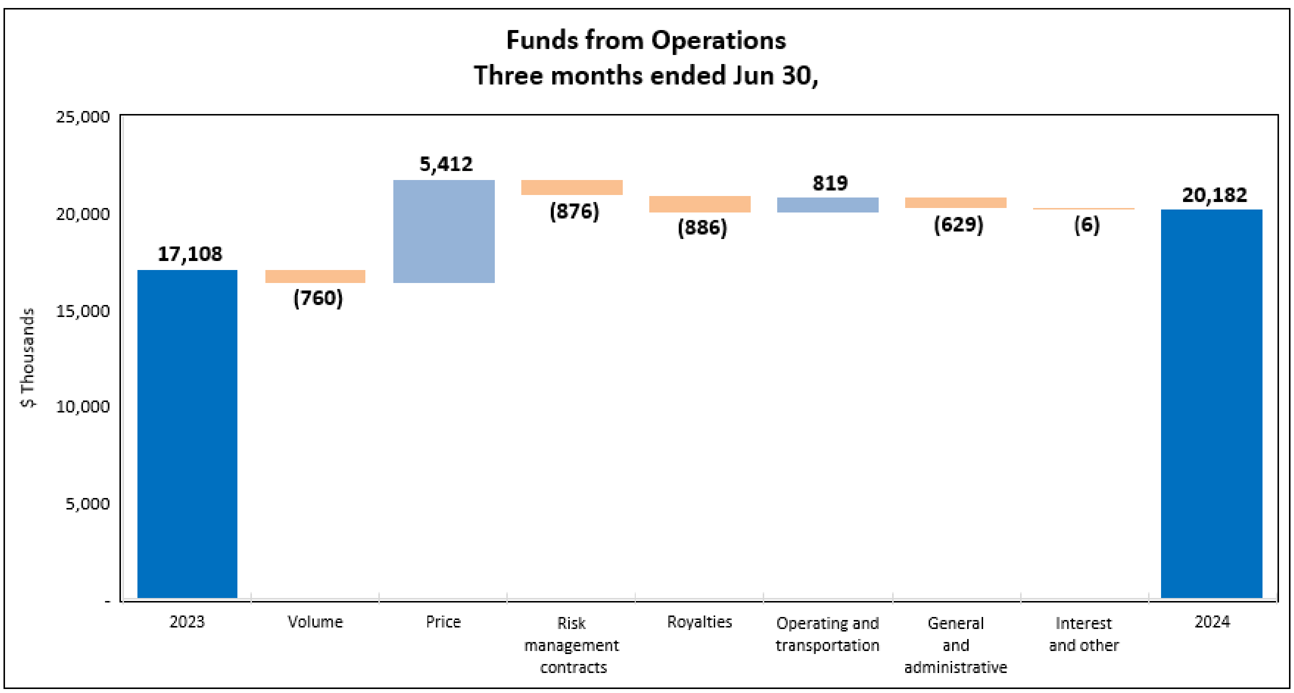
(1) Funds from operations per debt adjusted share, cash flows from operating activities per debt adjusted share and production boepd per debt adjusted thousand shares are non-GAAP and other financial measures and are reconciled to the nearest GAAP measure, where applicable, under the heading "Non-GAAP 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 SECOND QUARTER FINANCIAL AND OPERATIONAL RESULTS

Funds from Operations and Cash Flows from Operating Activities

Funds from operations increased from $17.1 million or $32.74 per boe in the second quarter of 2023 to $20.2 million or $39.46 per boe in the second quarter of 2024. The increase in funds from operations is the result of increased revenues due to higher realized commodity prices and decreased operating and transportation costs, partially offset by decreased sales volumes, loss on risk management contracts and increased royalties, general and administrative and interest and other costs.

On a year-to-date basis, funds from operations increased from $30.1 million or $28.47 per boe in 2023 to $35.4 million or $34.28 per boe in 2024. The increase in funds from operations is the result of increased revenues due to higher realized commodity prices and decreased operating and transportation costs, partially offset by decreased sales volumes, loss on risk management contracts and increased royalties, general and administrative and interest and other costs.



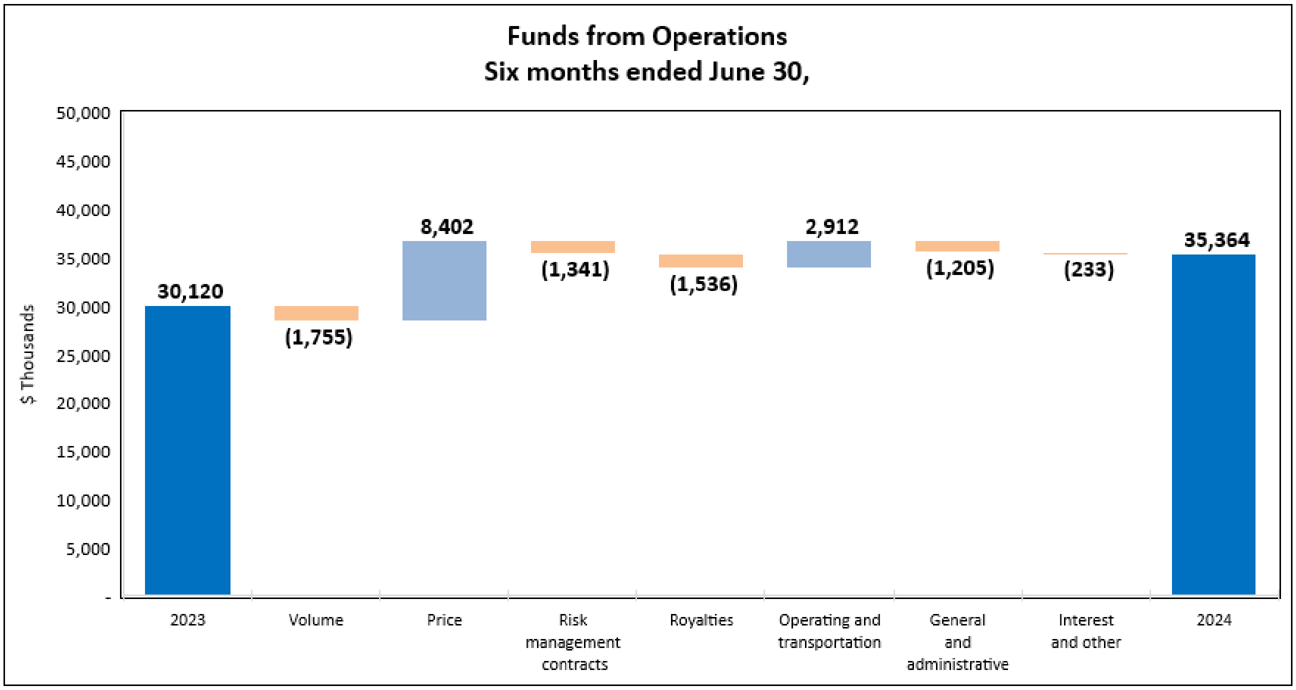


Table 3

	Three months ended Jun 30		Six months ended Jun 30	
	$ thousands	$/boe	$ thousands	$/boe
Q2 2023 Funds from operations (1)	17,108	32.74	30,120	28.47
Volume variance	(760)	-	(1,755)	-
Price variance	5,412	10.58	8,402	8.15
Risk management contracts	(876)	(1.69)	(1,341)	(1.28)
Royalties	(886)	(1.91)	(1,536)	(1.70)
Expenses:				
Operating and transportation	819	1.06	2,912	2.16
General and administrative	(629)	(1.30)	(1,205)	(1.26)
Interest and other	(6)	(0.02)	(233)	(0.26)
Q2 2024 Funds from operations (1)	20,182	39.46	35,364	34.28

(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 increased from $13.3 million or $25.47 per boe in the second quarter of 2023 to $17.2 million or $33.65 per boe in the second quarter of 2024. The increase in cash flows from operating activities is the result of increased revenues due to higher realized commodity prices and decreased operating and transportation costs, partially offset by decreased sales volumes, loss on risk management contracts, increased royalties, general and administrative and interest and other costs and increased decommissioning liabilities settled by Gear.

On a year-to-date basis, cash flows from operating activities was $27.7 million or $26.83 per boe in the first half of 2024 compared to $28.2 million or $26.69 per boe for the same period in 2023. The decrease in cash flows from operating activities on a dollar basis is the result of decreased sales volumes, loss on risk management contracts, increased royalties, general and administrative and interest and other costs 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 $9.4 million and $12.0 million for the three and six months ended June 30, 2024, compared to net income of $5.6 million and $7.5 million for the same periods in 2023. The change in net income is due to several factors discussed below. Net income increased from $2.6 million for the first quarter of 2024 to $9.4 million for the second quarter mainly due to the increase in realized pricing during the second quarter.

Production

Sales production volumes for the three and six months ended June 30, 2024 averaged 5,621 and 5,668 boe per day compared to 5,742 and 5,846 boe per day for the same periods in 2023 (refer to Table 4 (below) for a breakdown of production by product type). In the second quarter of 2024 Gear drilled four gross (four net) wells; two medium oil wells in Killam, Alberta and 2 heavy oil wells in Wildmere, Alberta. Of the new wells drilled, all were rig released during the current quarter except for one Wildmere well that was drilled and abandoned. Year to date, Gear has drilled 8 gross (8 net) wells, with 7 of them currently on production.

Sales production volumes decreased from 5,714 boe per day in the first quarter of 2024 to 5,621 boe per day in the second quarter of 2024 due to natural well declines, the shut-in of some gas wells as well as some unexpected downtime, partially offset by production from new wells drilled (refer to Table 4 (below) for a breakdown of production by product type). In July 2024, Gear completed a second natural gas tie-in in Killam, Alberta to alleviate third party gas take-away constraints that should allow for an increase in production in that area.

Gear had an inventory draw of approximately 8,900 barrels in the second quarter of 2024 over the previous quarter and has approximately 122 thousand barrels of oil in inventory as at June 30, 2024.

Table 4

	Three months ended				Six months ended		
Production	**Jun 30, 2024**	Jun 30, 2023	% Change	Mar 31, 2024	**Jun 30, 2024**	Jun 30, 2023	% Change
Liquids (bbl/d)							
Heavy oil (bbl/d)	**2,745**	2,698	2	2,633	**2,689**	2,716	(1)
Light and medium oil (bbl/d)	**1,855**	1,955	(5)	2,007	**1,931**	2,000	(3)
Natural gas liquids (bbl/d)	**307**	279	10	311	**309**	285	8
Total liquids (bbl/d)	**4,907**	4,932	(1)	4,951	**4,929**	5,001	(1)
Natural gas (mcf/d)	**4,285**	4,860	(12)	4,579	**4,432**	5,072	(13)
Total production (boe/d) (1)	**5,621**	5,742	(2)	5,714	**5,668**	5,846	(3)
% Liquids production	**87**	86	1	87	**87**	86	1
% Natural gas production	**13**	14	(7)	13	**13**	14	(7)

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

Petroleum and Natural Gas Sales

For the three and six months ended June 30, 2024, sales of crude oil, natural gas and natural gas liquids totaled $40.8 million and $76.4 million compared to $36.1 million and $69.8 million for the same periods in 2023 and $35.7 million for the previous period. These increases are mainly the result of higher realized commodity prices, partially offset by lower production volumes.

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

Table 5

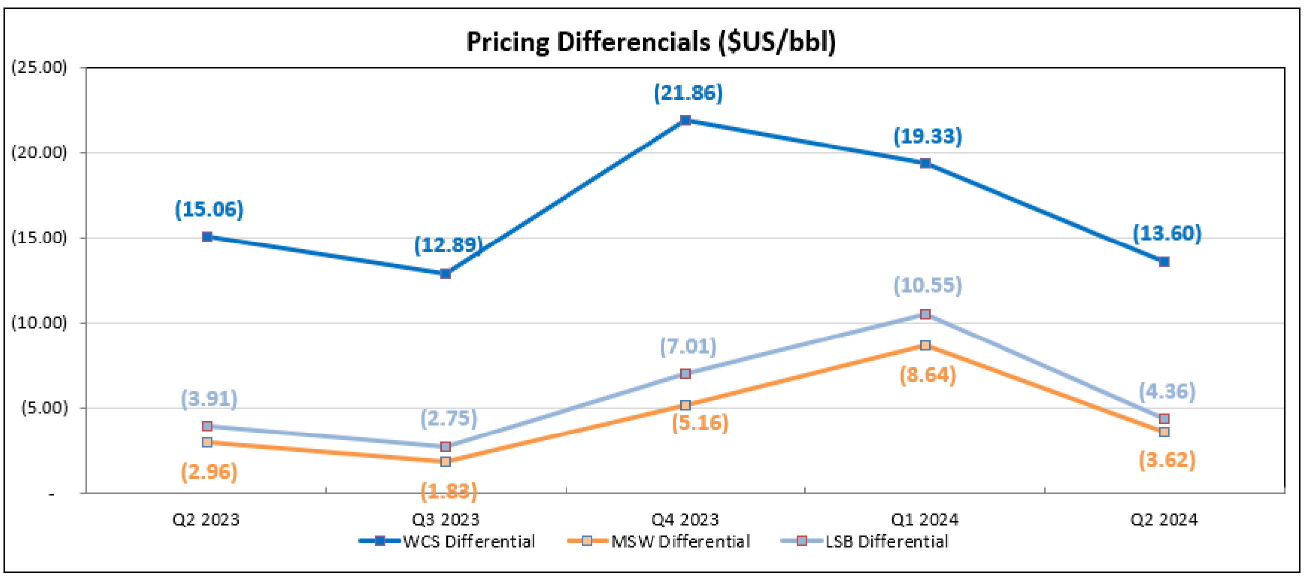
Sales by product	Three months ended				Six months ended		
($ thousands)	**Jun 30, 2024**	Jun 30, 2023	% Change	Mar 31, 2024	**Jun 30, 2024**	Jun 30, 2023	% Change
Heavy oil	**22,030**	18,148	21	17,284	**39,314**	32,125	22
Light and medium oil	**17,080**	15,942	7	15,916	**32,996**	32,821	1
Natural gas liquids	**1,239**	1,035	20	1,462	**2,701**	2,366	14
Natural gas	**409**	981	(58)	1,008	**1,417**	2,469	(43)
Total petroleum and natural gas sales	**40,758**	36,106	13	35,670	**76,428**	69,781	10

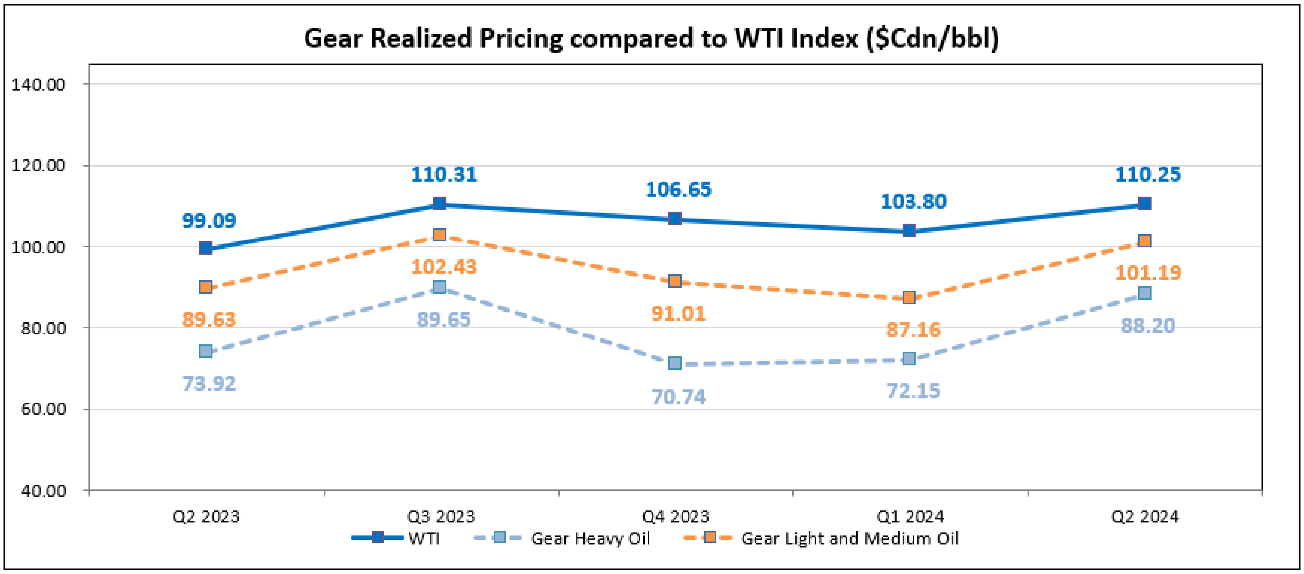
Commodity Prices

Table 6

Average benchmark prices	Three months ended Jun 30, 2024	Jun 30, 2023	% Change	Mar 31, 2024	Six months ended Jun 30, 2024	Jun 30, 2023	% Change
WTI oil (US$/bbl) (1)	**80.57**	73.78	9	76.96	**78.77**	74.95	5
WCS heavy oil (Cdn$/bbl) (2)	**91.64**	78.85	16	77.74	**84.64**	74.16	14
MSW (Cdn$/bbl) (3)	**105.30**	95.11	11	92.16	**98.68**	97.07	2
LSB (Cdn$/bbl) (4)	**104.28**	93.84	11	89.57	**96.87**	93.93	3
AECO natural gas ($/mcf) (5)	**1.17**	2.45	(52)	2.78	**1.97**	2.83	(30)
Cdn$ / US$ exchange rate	**1.37**	1.34	2	1.35	**1.36**	1.35	1
Gear realized prices							
Heavy oil ($/bbl)	**88.20**	73.92	19	72.15	**80.33**	65.35	23
Light and medium oil ($/bbl)	**101.19**	89.63	13	87.16	**93.90**	90.67	4
Natural gas liquids ($/bbl)	**44.30**	40.74	9	51.67	**48.01**	45.80	5
Natural gas ($/mcf)	**1.05**	2.22	(53)	2.42	**1.76**	2.69	(35)
Realized price before risk management contracts ($/boe)	**79.68**	69.10	15	68.60	**74.09**	65.94	12
Realized risk management (loss) gain ($/boe)	**(0.32)**	1.37	-	-	**(0.16)**	1.12	-
Realized price after risk management contracts ($/boe)	**79.36**	70.47	13	68.60	**73.93**	67.06	10

(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 three and six months ended June 30, 2024 was $79.68 and $74.09 per boe compared to $69.10 and $65.94 per boe for the same periods of 2023. These increases were mainly due to the increase in WTI pricing and narrowing of the WCS differential, partially offset by the widening of the MSW and LSB differentials.

Gear's realized pricing increased to $79.68 per boe in the second quarter of 2024 from $68.60 per boe in the first quarter of 2024. The increase from the previous quarter was mainly due to the increase in WTI pricing and narrowing of the WCS, MSW and LSB differentials.

Royalties

For the three and six months ended June 30, 2024, royalties as a percentage of petroleum and natural gas sales were 12.7% and 13.0% compared to 11.9% and 12.0% for the same periods in 2023. These increases are 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 with them.

Royalties as a percentage of commodity sales decreased from 13.3% for the first quarter of 2024 to 12.7% for the second quarter of 2024. This decrease was mainly due to the sale of oil inventory during the second quarter of 2024 which at the time, was produced at a lower price than when it was sold and as a result carried a lower associated royalty burden as a percentage of revenue.

Table 7

Royalty expense	Three months ended				Six months ended		
($ thousands except % and per boe)	**Jun 30, 2024**	Jun 30, 2023	% Change	Mar 31, 2024	**Jun 30, 2024**	Jun 30, 2023	% Change
Royalty expense	**5,171**	4,285	21	4,741	**9,912**	8,376	18
Royalty expense as a % of sales	**12.7**	11.9	7	13.3	**13.0**	12.0	8
Royalty expense per boe	**10.11**	8.20	23	9.12	**9.61**	7.91	21

Operating and Transportation Expenses

Operating costs for the second quarter of 2024 decreased to $20.87 per boe from $21.54 per boe for the same period in 2023. This decrease is mainly the result of decreased trucking, maintenance and well servicing costs partially offset by general inflationary pressures on the business. During the second quarter of 2024, Gear shut in several low producing high operating cost wells.

Operating costs for the first half of 2024 decreased to $20.39 per boe from $22.00 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 increased from $19.92 per boe for the previous quarter to $20.87 per boe for the second quarter of 2024. This increase is mainly the result of increased production costs.

Transportation expenses for the three and six months ended June 30, 2024 was $3.36 and $3.46 per boe, a decrease compared to $3.75 and $4.01 per boe for the same periods in 2023. These decreases were mainly due to an additional transportation fee of $0.63 and $0.76 per boe during the three and six months ended June 30, 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 decreased from $3.57 per boe for the previous quarter to $3.36 per boe for the second quarter of 2024. This decrease was mainly due to changes in sales point for a portion of Gear's heavy oil during the second quarter of 2024.

Table 8 below summarizes the operating and transportation expenses:

Table 8

Operating and transportation expenses ($ thousands except per boe)	**Jun 30, 2024**	Three months ended Jun 30, 2023	% Change	Mar 31, 2024	**Jun 30, 2024**	Six months ended Jun 30, 2023	% Change
Operating expense	**10,676**	11,252	(5)	10,359	**21,035**	23,281	(10)
Transportation expense	**1,717**	1,960	(12)	1,856	**3,573**	4,239	(16)
Operating and transportation expense	**12,393**	13,212	(6)	12,215	**24,608**	27,520	(11)
Operating expense per boe	**20.87**	21.54	(3)	19.92	**20.39**	22.00	(7)
Transportation expense per boe	**3.36**	3.75	(10)	3.57	**3.46**	4.01	(14)
Operating and transportation expense per boe	**24.23**	25.29	(4)	23.49	**23.85**	26.01	(8)

Operating Netbacks

Gear's operating netback prior to risk management contracts for the three and six months periods ended June 30, 2024 was $45.34 and $40.63 per boe compared to $35.61 and $32.02 per boe for the same periods in 2023. These increases were the result of increased realized prices and lower operating and transportation costs, partially offset by higher royalties.

Gear's operating netback prior to risk management contracts for the second quarter of 2024 was $45.34 per boe compared to $35.99 per boe for the previous period. The increase is the result of increased realized prices and lower transportation costs, partially offset by higher royalties and operating costs.

The components of operating netbacks are summarized in Table 9:

Table 9

Operating netback ($ per boe)	**Jun 30, 2024**	Three months ended Jun 30, 2023	% Change	Mar 31, 2024	**Jun 30, 2024**	Six months ended Jun 30, 2023	% Change
Sales	**79.68**	69.10	15	68.60	**74.09**	65.94	12
Royalties	**(10.11)**	(8.20)	23	(9.12)	**(9.61)**	(7.91)	21
Operating costs	**(20.87)**	(21.54)	(3)	(19.92)	**(20.39)**	(22.00)	(7)
Transportation costs	**(3.36)**	(3.75)	(10)	(3.57)	**(3.46)**	(4.01)	(14)
Operating netback (1)	**45.34**	35.61	27	35.99	**40.63**	32.02	27

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

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

For the three months ended June 30, 2024, G&A expenses totaled $2.3 million compared to $1.6 million for the same period in 2023. The majority of this increase relates to non-recurring restructuring costs in the current quarter. For the six months ended June 30, 2024, G&A expenses totaled $5.2 million compared to $4.0 million for the same period in 2023. The majority of this increase relates to non-recurring restructuring costs and performance bonuses declared and paid. For the three and six months ended June 30, 2024, Gear capitalized $0.3 million and $0.8 million of G&A compared to $0.4 million and $1.1 million for the same periods in 2023. For the three and six months ended June 30, 2024, G&A on a per boe basis was $4.42 and $5.01 per boe compared to $3.12 and $3.75 per boe for the same periods in 2023.

The decrease in G&A expenses in the second quarter of 2024 compared to the previous quarter was mainly due to non-recurring restructuring costs and performance bonuses declared and paid in the first quarter of 2024. Gear capitalized $0.3 million in G&A in the second quarter of 2024 compared to $0.5 million for the previous quarter. G&A on a per boe basis was $4.42 per boe during the second quarter of 2024 compared to $5.60 per boe for the previous quarter.

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

Table 10

G&A and SBC expense	Three months ended				Six months ended		
($ thousands except per boe)	**Jun 30, 2024**	Jun 30, 2023	% Change	Mar 31, 2024	**Jun 30, 2024**	Jun 30, 2023	% Change
G&A, before recoveries and capitalized G&A	**2,633**	2,079	27	3,454	**6,087**	5,204	17
Overhead recoveries	**(47)**	(70)	(33)	(49)	**(96)**	(137)	(30)
Capitalized G&A	**(326)**	(378)	(14)	(494)	**(820)**	(1,101)	(26)
G&A	**2,260**	1,631	39	2,911	**5,171**	3,966	30
SBC expense	**309**	361	(14)	281	**590**	686	(14)
G&A per boe	**4.42**	3.12	42	5.60	**5.01**	3.75	34
SBC expense per boe	**0.60**	0.69	(13)	0.54	**0.57**	0.65	(12)

SBC is related to the granting of stock options. There were 11.4 million options granted during the six months ended June 30, 2024 at an average exercise price of $0.74. In addition, 1.3 million options were forfeited at an average exercise price of $1.11, 1.9 million options were exercised at an average exercise price of $0.29 and 7.2 million options expired at an average exercise price of $1.14. As at June 30, 2024, a total of 18.0 million options with a weighted average exercise price of $0.89 per share were outstanding, representing approximately 6.8% of the 263.6 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 17.8 million options outstanding at a weighted average exercise price of $0.89 per share. Subsequent to June 30, 2024, 0.2 million options expired.

Interest and Other

For the three and six months ended June 30, 2024, interest and other totaled $0.6 million and $1.2 million compared to $0.6 million and $1.0 million in the same periods 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 for the six months ended June 30, 2024 compared to the same period of 2023 is due to an increase in market interest rates, partially offset by a decrease in Gear's debt balance during the six months periods ended June 30, 2024.

Table 11 is a breakdown of interest and other:

Table 11

Interest and other	Three months ended				Six months ended		
($ thousands except per boe)	**Jun 30, 2024**	Jun 30, 2023	% Change	Mar 31, 2024	**Jun 30, 2024**	Jun 30, 2023	% Change
Interest expense	**434**	484	(10)	479	**912**	782	17
Financing charges	**83**	49	69	75	**159**	86	85
Standby fees	**71**	51	39	67	**138**	107	29
Realized loss on foreign exchange	**2**	-	100	-	**2**	3	(33)
Interest and other	**590**	584	1	621	**1,211**	978	24
Interest and other per boe	**1.14**	1.12	2	1.19	**1.18**	0.92	28

Risk Management Contracts

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

For the three and six months ended June 30, 2024, Gear realized losses on risk management contracts of $0.2 million compared to realized gains of $0.7 million and $1.2 million for the same periods in 2023 and $nil in the previous quarter. The fair value of all outstanding contracts at June 30, 2024 was a liability of $0.6 million.

Table 12 summarizes Gear's financial risk management contracts as at June 30, 2024:

Table 12

Financial WTI crude oil contracts

Term		**Contract**	**Currency**	**Volume bbl/d**	**Sold Swap $/bbl**	**Sold Call $/bbl**	**Bought Put $/bbl**	**Sold Put $/bbl**
Jul 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 three and six months ended June 30, 2024 was $20.46 and $20.60 per boe compared to $20.18 and $19.95 per boe for the same periods in 2023. These increases in the DD&A rate were mainly due to inflationary pressures resulting in both higher capital expenditures and future development cost estimates over Gear's reserve base. Quarter over quarter, DD&A was $20.46 in the second quarter of 2024 compared to $20.74 per boe in the previous quarter.

As at June 30, 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 June 30, 2024 and December 31, 2023, Gear recorded oil inventory valued at its production cost. No impairments on inventory were recorded in 2023 or in the first half of 2024.

Table 13 is a breakdown of DD&A expenses:

Table 13

DD&A rate	Three Months Ended				Six Months Ended		
($ thousands except per boe)	**Jun 30, 2024**	Jun 30, 2023	% Change	Mar 31, 2024	**Jun 30, 2024**	Jun 30, 2023	% Change
DD&A	**10,464**	10,542	(1)	10,785	**21,249**	21,105	1
Total DD&A rate per boe	**20.46**	20.18	1	20.74	**20.60**	19.95	3

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 June 30, 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 2030 through 2043. No cash income taxes were paid in 2024 or 2023.

At June 30, 2024, Gear's estimated tax pools were $611.6 million compared to $617.3 million as at December 31, 2023. The change in individual tax pool balances is due to changes in Gear's tax planning initiatives.

A breakdown of estimated tax pools is shown in Table 14:

Table 14

($ thousands)	**June 30, 2024**	December 31, 2023
Canadian oil and gas property expenses	**113,178**	118,608
Canadian development expenses	**145,506**	119,915
Canadian exploration expenses	**28,535**	28,532
Undepreciated capital cost	**47,394**	47,674
Non-capital losses	**276,951**	302,551
Other	**35**	38
Estimated realizable tax pools, federal and provincial	**611,599**	617,318

Capital Expenditures

A breakdown of capital expenditures is shown in Table 15:

Table 15

Capital expenditures	Three months ended				Six months ended		
($ thousands)	**Jun 30, 2024**	Jun 30, 2023	% Change	Mar 31, 2024	**Jun 30, 2024**	Jun 30, 2023	% Change
Drilling and completions	**7,723**	3,804	103	6,070	**13,793**	15,660	(12)
Production equipment and facilities	**3,141**	1,645	91	1,171	**4,312**	7,314	(41)
Geological and geophysical	**11**	111	(90)	-	**3**	241	(99)
Undeveloped land	**777**	1,759	(56)	142	**927**	2,057	(55)
Other	**36**	51	(29)	217	**253**	90	181
Total capital expenditures	**11,688**	7,370	59	7,600	**19,288**	25,362	(24)

Capital expenditures for the three and six months ended June 30, 2024 were $11.7 million and $19.3 million compared to $7.4 million and $25.4 million for the same periods in 2023 and $7.6 million in the previous quarter. The increase in drilling costs during the second quarter of 2024 compared to the same period in 2023 was due to increased capital activity with more wells drilled in the second quarter of 2024. Of the new wells drilled, one heavy oil well was drilled and abandoned during the current quarter. During the second quarter of 2024, Gear invested $1.4 million in pipelines and $0.8 million in land and seismic.

During the first half of 2024, despite the increase in wells drilled, drilling costs decreased compared to the first half of 2023 due to the type of wells drilled, with more focus on single lateral wells in 2024 and improved drill times. During the first half of 2024, production equipment and facility costs decreased to $4.3 million compared to $7.3 million for the same period in 2023 mainly due to investments in the waterflood expansion in 2023, partially offset by investments in pipelines during the first half of 2024.

The increase in drilling costs during the second quarter of 2024 compared to the previous quarter was due to the type of wells drilled, with more focus on multi-lateral and multistage fractured wells in the current quarter compared to single lateral wells in the previous quarter. During the second quarter of 2024, Gear also increased its investment in pipelines, land and seismic.

Gear drilled the following wells summarized in Table 16:

Table 16

Net well count	Three months ended			Six months ended	
	Jun 30, 2024	Jun 30, 2023	Mar 31, 2024	**Jun 30, 2024**	Jun 30, 2023
Heavy oil					
Multi-lateral	**2.0**	1.0	1.0	**3.0**	1.0
Multistage fractured	**-**	-	-	**-**	2.0
Single lateral	**-**	-	3.0	**3.0**	-
Medium oil					
Multi-lateral	**-**	-	-	**-**	1.0
Multistage fractured	**2.0**	-	-	**2.0**	-
Light oil					
Multistage fractured	**-**	-	-	**-**	-
Total	**4.0**	1.0	4.0	**8.0**	4.0

Decommissioning Liability

At June 30, 2024, Gear recorded a decommissioning liability of $65.6 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% (2.00% at December 31, 2023) and discounted using a risk free rate of 3.39% (3.02% 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 abandonment expenditures by Gear during the period, partially offset by an increase in cost estimates and new wells drilled during the first half of 2024. Decommissioning liabilities settled by Gear in the first half of 2024 were $3.6 million. During the first half 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 ($ thousands except ratio amounts)	**Jun 30, 2024**	Dec 31, 2023
Net debt (1)	**(9,111)**	(14,099)
Net debt to trailing twelve-month funds from operations (1)	**0.1**	0.2
Net debt to quarterly annualized funds from operations (1)	**0.1**	0.2
Common shares outstanding	**263,584**	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 June 30, 2024. Net debt improved from $14.1 million at December 31, 2023 to $9.1 million at June 30, 2024 as a result of higher commodity prices, partially offset by capital investment during the first half of 2024. During the six months ended June 30, 2024 Gear reduced amounts drawn under its Credit Facilities by $6.0 million. Gear's net debt improved from $12.5 million at March 31, 2024 to $9.1 million at June 30, 2024 as a result of improved commodity prices, partially offset by increased capital investment during the second quarter.

Credit Facilities

In May 2024, Gear completed its borrowing base review and amended its Credit Facilities. Gear presently has credit facilities consisting of a $40.0 million revolving credit facility and a $10.0 million operating facility (the "Credit Facilities").

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

Table 18

Facility	**Borrowing base**		**Maturity date**
($ millions)	**Jun 30, 2024**	**Dec 31, 2023**	
Revolving	40.0	40.0	May 31, 2026
Operating	10.0	10.0	May 31, 2026
Total	50.0	50.0	

At June 30, 2024 Gear had $15.1 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 June 30, 2024 and December 31, 2023, Gear's debt was classified as long term. Subsequent to June 30, 2024, these letters of credit were reduced to $0.5 million. 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 (as defined in the Credit Facilities), 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 denominated CORRA loans. 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 November 30, 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 six months period ended June 30, 2024.

As at June 30, 2024 and the date of this MD&A, Gear had 263.6 million common shares outstanding. The increase since December 31, 2023, is due to stock option exercises during the first half of 2024. At December 31, 2023, Gear had 262.3 million common shares outstanding.

Table 19 shows Gear's trading statistics:

Table 19

Trading statistics	Three months ended			Six months ended	
($ based on intra-day trading)	**Jun 30, 2024**	Jun 30, 2023	Mar 31, 2024	**Jun 30, 2024**	Jun 30, 2023
High	**0.80**	1.15	0.69	**0.80**	1.17
Low	**0.64**	0.92	0.60	**0.60**	0.90
Close	**0.69**	0.96	0.66	**0.69**	0.96
Average daily volume (thousands)	**1,000**	1,753	858	**930**	2,438

As at June 30, 2024, a total of 18.0 million options were outstanding with a weighted average exercise price of $0.89 per share and each option entitled the holder to acquire one Gear common share. As at the date of this MD&A, Gear had 17.8 million options outstanding.

Dividends

Table 20 shows a breakdown of Gear's dividends for the first half 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
April 1, 2024	April 15, 2024	April 30, 2024	0.005	1,318
May 1, 2024	May 15, 2024	May 31, 2024	0.005	1,318
June 3, 2024	June 14, 2024	June 28, 2024	0.005	1,318
Total for the six months ended June 30, 2024			0.030	$ 7,888

During the three and six months ended June 30, 2024, Gear declared $4.0 million and $7.9 million in dividends, respectively compared to $7.8 million and $15.7 million for the same periods in 2023. For the year ended December 31, 2023, Gear approved and declared $24.9 million in dividends.

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

Subsequent to period end, on July 31, 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 August 15, 2024. The dividend payment date is scheduled for August 30, 2024.

Social, and Governance Initiatives Impacting Gear

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 June 30, 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 $0.8 million. The service commitment relates to a software agreement that expires in 2026 with a remaining commitment of $0.2 million. For further information see Note 11 "Commitments and Contingencies" in the notes to the unaudited Interim Condensed Consolidated Financial Statements.

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

Non-GAAP and Other Financial Measures
Gear uses certain non-GAAP and other financial measures to analyze financial and operating performance. These specified financial measures include non-GAAP financial measures, non-GAAP ratios, total of segments measures, capital management measures and supplementary financial measures, and are not defined by IFRS and are therefore referred to as non-GAAP and other financial measures. Management believes that the non-GAAP and other financial measures used by the Company are key performance measures for Gear and provide investors with information that is commonly used by other oil and gas companies. These key performance indicators and benchmarks as presented do not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other entities. These non-GAAP and other financial measures should not be considered an alternative to or more meaningful than their most directly comparable financial measure presented in the financial statements, as an indication of the Company's performance. Descriptions of the non-GAAP and other financial measures used by the Company as well as reconciliations to the most directly comparable GAAP measure for the three and six months ended June 30, 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)	Three months ended Jun 30, 2024	Jun 30, 2023	Mar 31, 2024	Six months ended Jun 30, 2024	Jun 30, 2023
Cash flows from operating activities	**17,212**	13,311	10,466	**27,678**	28,244
Decommissioning liabilities settled (1)	**1,290**	912	2,299	**3,589**	1,353
Change in non-cash operating working capital	**1,680**	2,885	2,417	**4,097**	523
Funds from operations	**20,182**	17,108	15,182	**35,364**	30,120

(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)	**Jun 30, 2024**	Dec 31, 2023
Debt	**(15,133)**	(21,155)
Working capital surplus (1)	**6,022**	7,056
Net debt	**(9,111)**	(14,099)

(1) Excludes risk management contracts and decommissioning liabilities.

At June 30, 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

	Three months ended			Six months ended	
(thousands, except per share amounts)	**Jun 30, 2024**	Jun 30, 2023	Mar 31, 2024	**Jun 30, 2024**	Jun 30, 2023
Weighted average basic shares	**263,537**	261,629	262,399	**262,968**	261,249
Average share price (1)	**0.67**	0.95	0.64	**0.67**	0.95
Average net (debt) surplus (2)	**(10,787)**	(14,799)	(13,281)	**(11,605)**	(8,271)
Share equivalent on average net (debt) surplus (3)	**16,100**	15,578	20,752	**17,321**	8,706
Debt adjusted shares	**279,637**	277,207	283,151	**280,289**	269,955

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

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

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

Funds from Operations per Debt Adjusted Share
Funds from operations per debt adjusted share is a non-GAAP ratio calculated as funds from operations, as defined and reconciled to cash flows from operating activities above, divided by debt adjusted shares, as defined and reconciled to weighted average basic shares above. Gear considers the non-GAAP ratio funds from operations per debt adjusted share a useful measure for management and investors as it enables oil and gas companies to be put on an equal, enterprise value-based footing when calculating per share numbers to demonstrate its ability to generate the funds from operations necessary to fund its capital program, settle decommissioning liabilities, repay debt, 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 operating 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.

Per BOE Figures
This MD&A represents various results on a per boe basis, including: cash flows from operating activities, petroleum and natural gas sales, royalty expense, operating costs, transportation costs, operating and transportation expense, realized risk management (loss) gain, general and administrative expense, interest and other expense, realized price before risk management contracts, realized price after risk management contracts, SBC expense and DD&A expense. These supplementary financial measures are determined by dividing the applicable financial figure as prescribed under IFRS by the Company's total sales volumes for the respective period.

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 June 30, 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 June 30, 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 operational strategy, plans, priorities and focus; Gear's strategy for delivering per share growth and enhanced returns; expectations that Gear will pause all drilling activities for the remainder of the year and the anticipated timing thereof; the anticipated benefits to be derived from Gear's second natural gas tie-in in Killam, Alberta; the anticipated terms of Gear's August 2024 monthly dividend, including its expectation that it will be designated as an "eligible" dividend; Gear's 2024 guidance and anticipated benefits thereof including expected capital expenditures, expected annual average production (including commodity weightings), expected number of wells drilled, expected seismic budget, expected royalty rate, expected operating and transportation costs, expected general and administrative costs, expected interest expense and expected capital and abandonment expenditures; Gear's expectations as to Gear's future hedging strategy; Gear's estimated tax pools, future taxable income and non-capital loss carry forwards; Gear's estimate of its decommissioning liabilities; the number of wells Gear expects to abandon and reclaim in 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; and the Company's belief that it will have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months.

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

To the extent that any forward-looking information contained herein may be considered future oriented financial information or a financial outlook, such information has been included to provide readers with an understanding of management's assumptions used for budgeting and developing future plans and readers are cautioned that the information may not be appropriate for other purposes. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: the impact of the Russian – Ukraine war on the global economy and commodity prices; pandemics, political events natural disasters and terrorism; the impacts of inflation and supply chain issues; changes in commodity prices; changes in the demand for or supply of Gear's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Gear or by third party operators of Gear's properties, increased debt levels or debt service requirements; inability to obtain debt or equity financing as necessary to fund operations, capital expenditures and any potential acquisitions; any ability for Gear to repay any of its indebtedness when due; inaccurate estimation of Gear's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; the risk that Gear may not deliver shareholder returns; the risk that the pause in Gear's drilling activities may last longer than anticipated; the risk that Gear's second natural gas tie-in in Killam, Alberta may not lead to the benefits anticipated; the risk that Gear's 2024 financial and operational results may not be consistent with its expectations; the risk that Gear's August 2024 monthly dividend may not be designated as an "eligible" dividend; 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 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.

Oil & Gas Matters

References to heavy oil, light and medium oil, natural gas liquids and natural gas in this MD&A refer to the heavy crude oil, light crude oil and medium crude oil, natural gas liquids and conventional natural gas, respectively, product types as defined in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*.

QUARTERLY HISTORICAL REVIEW

	2024		2023				2022	
(Cdn$ thousands, except per share, share, and per boe amounts)	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
FINANCIAL								
Petroleum and natural gas sales	40,758	35,670	37,524	41,409	36,106	33,675	39,278	44,840
Funds from operations (1)	20,182	15,182	16,717	20,978	17,108	13,012	18,676	22,544
Per weighted average basic share	0.08	0.06	0.06	0.08	0.07	0.05	0.07	0.09
Per weighted average diluted share	0.08	0.06	0.06	0.08	0.06	0.05	0.07	0.09
Cash flows from operating activities	17,212	10,466	17,813	17,532	13,311	14,933	18,565	26,196
Per weighted average basic share	0.07	0.04	0.07	0.07	0.05	0.06	0.07	0.10
Per weighted average diluted share	0.07	0.04	0.07	0.07	0.05	0.06	0.07	0.10
Net income (loss)	9,388	2,581	(7,104)	8,150	5,550	1,990	27,695	17,750
Per weighted average basic share	0.04	0.01	(0.03)	0.03	0.02	0.01	0.11	0.07
Per weighted average diluted share	0.04	0.01	(0.03)	0.03	0.02	0.01	0.10	0.07
Capital expenditures	11,688	7,600	10,751	12,008	7,370	17,992	18,899	14,872
Decommissioning liabilities settled - Gear	1,290	2,299	2,560	2,202	912	441	1,417	2,859
Decommissioning liabilities settled - Government (2)	-	-	-	-	-	37	532	433
Net (debt) surplus (1)	(9,111)	(12,462)	(14,099)	(13,297)	(14,322)	(15,276)	(2,220)	6,959
Dividends declared and paid	3,953	3,935	3,934	5,243	7,849	7,826	7,795	7,751
Dividends declared and paid per share	0.015	0.015	0.015	0.020	0.030	0.030	0.030	0.030
Weighted average shares outstanding, basic (thousands)	263,537	262,399	262,247	262,139	261,629	260,693	259,908	258,385
Weighted average shares outstanding, diluted (thousands)	263,672	262,555	263,446	263,599	263,385	263,381	263,774	263,585
Shares outstanding, end of period (thousands)	263,584	263,264	262,250	262,220	262,115	261,212	260,693	259,367
OPERATING								
Production								
Heavy oil (bbl/d)	2,745	2,633	2,937	2,601	2,698	2,734	2,772	2,546
Light and medium oil (bbl/d)	1,855	2,007	1,920	1,890	1,955	2,045	1,835	1,971
Natural gas liquids (bbl/d)	307	311	327	233	279	292	299	320
Natural gas (mcf/d)	4,285	4,579	4,893	4,720	4,860	5,287	5,091	5,339
Total (boe/d)	5,621	5,714	6,000	5,511	5,742	5,952	5,755	5,727
Average prices								
Heavy oil ($/bbl)	88.20	72.15	70.74	89.65	73.92	56.80	69.72	89.32
Light and medium oil ($/bbl)	101.19	87.16	91.01	102.43	89.63	91.68	103.62	109.95
Natural gas liquids ($/bbl)	44.30	51.67	44.44	46.53	40.74	50.69	58.48	60.62
Natural gas ($/mcf)	1.05	2.42	2.21	2.64	2.22	3.13	5.11	4.47
Selected financial results ($/boe)								
Petroleum and natural gas sales	79.68	68.60	67.98	81.67	69.10	62.86	74.19	85.10
Royalties	(10.11)	(9.12)	(10.11)	(9.74)	(8.20)	(7.64)	(10.40)	(12.14)
Operating costs	(20.87)	(19.92)	(21.52)	(23.57)	(21.54)	(22.45)	(21.55)	(21.16)
Transportation costs	(3.36)	(3.57)	(3.48)	(3.28)	(3.75)	(4.25)	(4.03)	(3.67)
Operating netback (1)	45.34	35.99	32.87	45.08	35.61	28.52	38.21	48.13
Realized risk management (loss) gain	(0.32)	-	1.24	1.00	1.37	0.87	-	(1.94)
General and administrative	(4.42)	(5.60)	(2.70)	(3.45)	(3.12)	(4.36)	(2.62)	(3.20)
Interest and other	(1.14)	(1.19)	(1.13)	(1.25)	(1.12)	(0.74)	(0.32)	(0.20)

(1) Funds from operations (including per boe and per weighted average basis and diluted shares), 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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