



# Corporate Presentation

*December 2024*

*“GEAR ENERGY LTD. ANNOUNCES A TRANSFORMATIVE TRANSACTION PROVIDING SHAREHOLDERS WITH LIQUIDITY AND RETAINED OWNERSHIP IN A NEW GROWTH FOCUSED OIL COMPANY”*

*December 2, 2024 Press Release*





# Gear Corporation & Heavy/Medium Oil Asset Sale

Crystalizes value of a mature asset and unlocks value from high quality growth assets

## Transaction Overview

- On December 2<sup>nd</sup>, 2024 Gear announced it had entered into an agreement to sell all of the issued and outstanding shares of Gear, excluding its Central Alberta, Southeast Saskatchewan and Tucker Lake properties
- These excluded assets will be transferred to a new company owned by Shareholders (“Newco”)
- Cash consideration of \$110 million before closing adjustments
- Estimated closing date: early February 2025

## Strategic Rationale

- ✓ Crystalizes value of the mature Lloydminster heavy oil assets at accretive transaction metrics
- ✓ Provides meaningful cash consideration to Shareholders
- ✓ Newco will be created from the transaction to unlock value from Gear’s high quality, opportunity rich, growth assets

## Transaction Metrics (for sold heavy/medium oil assets)

Transaction Value (TV)		\$110 MM	
<b>Net Operating Income (NOI)</b>			
<b>Metrics</b>		<b>\$MM</b>	<b>x</b>
TV / Annualized Oct’24 NOI <sup>1</sup>		\$52	2.1
<b>Production</b>			
<b>Metrics</b>		<b>BOE/d</b>	<b>\$/BOE/d</b>
TV / Current Production <sup>2</sup>		3,700	\$30,000
<b>Reserves Value</b>			
<b>Metrics</b>		<b>\$MM</b>	<b>x</b>
TV / PDP Reserves Value <sup>3</sup>		\$75	1.5
<b>Reserves Volume</b>			
<b>Metrics</b>		<b>mBOE</b>	<b>\$/BOE</b>
TV / PDP Reserves Volume <sup>3,4</sup>		4,600	\$23.91

1. Refer to “Non-GAAP and other financial measures”

2. Consisting of ~3,400 bbl/d of heavy and medium crude oil and ~2,000 mcf/d of conventional natural gas

3. Before Tax NPV-10% PDP Reserves value effective December 31, 2023 based on flat US\$70/bbl WTI, US\$14/bbl WCS differential, C\$2/GJ AECO, and 0.74US\$/C\$ FX

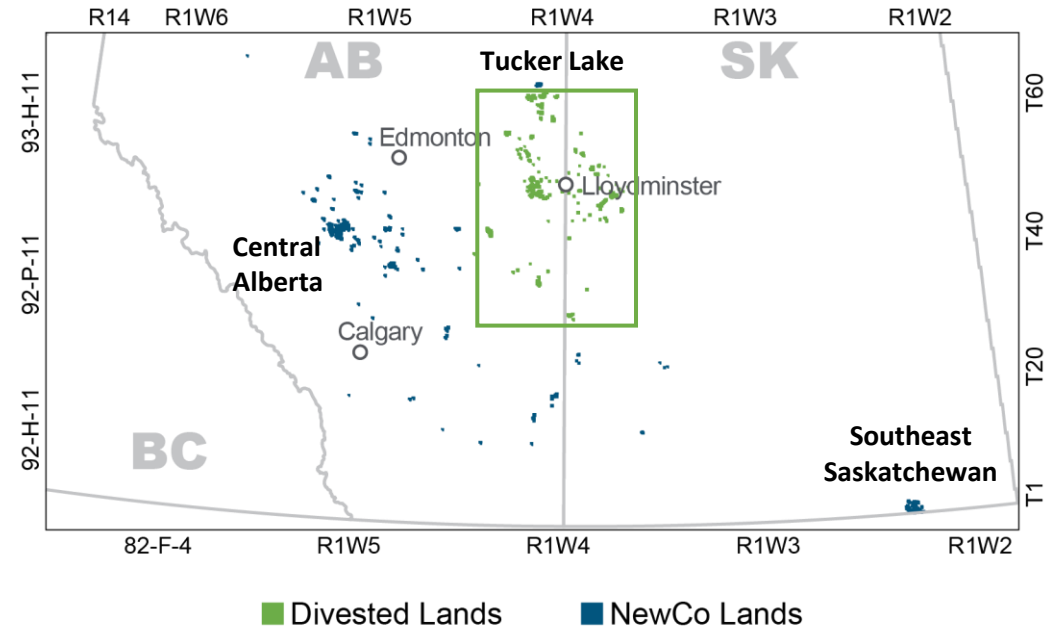
4. Consisting of ~4,300 mbbl of heavy and medium crude oil and ~1,700 mmcf of conventional natural gas as at December 31, 2023



# Transformational Transaction & Creation of Newco

Newco is positioned and capitalized to generate outsized cashflow growth

	<u>Gear and Heavy Oil Assets Sale</u>	<u>Remaining Light Oil Assets &amp; Lands (Newco)</u>
<b>Assets</b>	Lloydminster	Central Alberta SE Saskatchewan Tucker Lake
<b>Production</b>	3,700 boe/d <sup>1</sup> 91% liquids	1,700 boe/d <sup>2</sup> 80% liquids
<b>Financial Attributes</b>	\$110 million total cash consideration	\$22 MM Ann. NOI <sup>3</sup> \$20 MM est. cash <sup>4</sup> \$35 MM credit facility
<b>Strategic Rationale</b>	Crystallizes value of more mature assets	Unlocks value of growth-oriented oil assets



1. Consisting of 3,400 bbl/d of heavy and medium crude oil and 2,000 mcf/d of conventional natural gas  
 2. Consisting of 1,100 bbl/d of light crude oil, 200 bbl/d of NGLs and 2,000 mcf/d of conventional natural gas  
 3. Refer to "Non-GAAP and other financial measures"  
 4. The estimated \$20 MM of cash for Newco is subject to adjustment pursuant to the Transaction, which could result in less cash being available to Newco



# Consideration to Gear Shareholders

\$160 MM consideration to shareholders: with \$80 MM cash and \$80 MM Newco value

## Overview of Total Consideration

Cash Consideration from Purchaser of Gear	\$MM	\$110
Newco Asset Value	\$MM	\$60
<b>Total Implied Consideration</b>	<b>\$MM</b>	<b>\$170</b>
Gear Est. YE 2024 Net Debt (Incl. Transaction Costs) <sup>1</sup>	\$MM	(\$10)
<b>Consideration to Gear Shareholders</b>	<b>\$MM</b>	<b>\$160</b>
Gear Common Shares Outstanding	MM	264
<b>Total Implied Consideration</b>	<b>\$/share</b>	<b>\$0.6070</b>
<b>Gear Share Prices</b>		
	<b>\$/share</b>	<b>Premium</b>
Gear Current Share Price (Nov. 29, 2024)	\$0.5400	12%
10-Day VWAP	\$0.5262	15%
20-Day VWAP	\$0.5279	15%
30-Day VWAP	\$0.5328	14%

## Consideration Breakdown

<b>Maximum Cash Consideration</b>	<b>\$MM</b>	<b>\$80</b>
Shares Outstanding	MM	264
<b>Maximum Cash Consideration</b>	<b>\$/share</b>	<b>\$0.30</b>
Newco Asset Value	\$MM	\$60
Contributed Cash to Newco <sup>2</sup>	\$MM	\$20
<b>Newco Value</b>	<b>\$MM</b>	<b>\$80</b>
Maximum Newco Shares Issued	MM	40
<b>Implied Share Price</b>	<b>\$/share</b>	<b>\$2.00</b>
<i>Exchange Ratio</i>	x	0.3035x

1. Refer to "Non-GAAP and other financial measures"

2. The cash contributed to Newco will be subject to adjustment pursuant to the Transaction, which could result in less cash being available to Newco



# Gear Shareholder Election

Shareholders will be asked to:

- ✓ Vote to approve this Transaction.
- ✓ Elect to receive:
  1. Cash consideration
  2. Shares of Newco
  3. A combination of the above

- There will be \$80 million of cash available for Shareholders for distribution and 40 million shares of Newco<sup>1</sup>.

Ultimately, what Shareholders receive will depend on:

1. How the Shareholder elect **and**
  2. How other Shareholders elect
- Individual Shareholder elections are subject to pro rata adjustments if the cash/share maximums are exceeded in aggregate
  - Regardless of how Shareholders elect and how other Shareholders elect, the total consideration given to each Shareholder will be **\$0.607 per Gear share**
  - Shareholders who do not elect will receive \$0.3035 in cash and 0.1518 Newco shares per Gear share

1. Newco has an implied value of \$2.00 per Newco share, \$60 MM of asset value + estimated \$20 MM of cash = \$80 MM market cap w. 40 MM shares outstanding



# Potential Outcomes Based on Shareholder Elections

Scenarios show the results of pro rata adjustments based on the cash and share maximums

## Shareholder Elections

Group	Election
Group #1	100% cash
Group #2	100% shares of Newco

▪ In all scenarios, the total consideration to shareholders sums to \$0.607 per Gear share

## Illustrative Scenarios

### Scenario 1 50% of shareholders elect cash / 50% elect for shares of Newco

Group #1	\$0.607 in cash per Gear share, <i>e.g. 1,000,000 shares of Gear = \$607,000</i>
Group #2	0.3035 Newco shares per Gear share, <i>e.g. 1,000,000 shares of Gear = 303,500 shares of Newco</i>

▪ Newco has an implied share price of \$2.00, 0.3035 Newco shares x \$2.00/share = \$0.607 per Gear share

### Scenario 2 75% of shareholders elect cash / 25% elect for shares of Newco

Group #1	\$0.405 in cash & 0.1012 Newco shares per Gear share
Group #2	0.3035 Newco shares per Gear share

### Scenario 3 25% of shareholders elect cash / 75% elect for shares of Newco

Group #1	\$0.607 in cash per Gear share
Group #2	\$0.202 in cash & 0.2023 Newco shares per Gear share

### Scenario 4 100% of shareholders elect cash

Group #1	\$0.3035 in cash & 0.1518 Newco shares per Gear share
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### Scenario 5 100% elect for shares of Newco

Group #2	\$0.3035 in cash & 0.1518 Newco shares per Gear share
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# Newco Highlights and Key Attributes

Low decline, high netback and opportunity rich land base create the foundation for growth

## Asset Highlights

### Central Alberta

- Low decline production supported by multiple Belly River waterfloods
- Regional Belly River activity provides development roadmap

### SE Saskatchewan

- Established light oil development with waterflood potential
- Gas conservation in place, reducing emissions footprint and increasing revenue through gas and NGL sales

### Tucker Lake

- Heavy oil opportunity with up to six prospective zones mapped
- Recent offset development highlights the upside potential of this asset

## Key Attributes

Capitalization		
Deemed Share Price	<i>\$/share</i>	\$2.00
Basic Shares Outstanding	<i>MM</i>	40
Implied Market Capitalization	<i>\$MM</i>	\$80
Estimated initial cash position <sup>3</sup>	<i>\$MM</i>	\$20
Implied Enterprise Value (EV)	<i>\$MM</i>	\$60
Cash Flow		
Annualized Oct'24 NOI <sup>1</sup>	<i>\$MM</i>	\$22
EV / Annualized NOI <sup>1</sup>	<i>x</i>	2.7
Production		
Current Production <sup>2</sup>	<i>boe/d</i>	1,700
<i>% Liquids</i>	<i>%</i>	80%
EV / Production <sup>2</sup>	<i>\$/boe/d</i>	\$35,000

**Newco 2025 guidance and YE2024 independent reserve report will be released in Dec'24**

1. Refer to "Non-GAAP and other financial measures"

2. Consisting of 1,100 bbl/d of light crude oil, 200 bbl/d of NGLs and 2,000 mcf/d of conventional natural gas

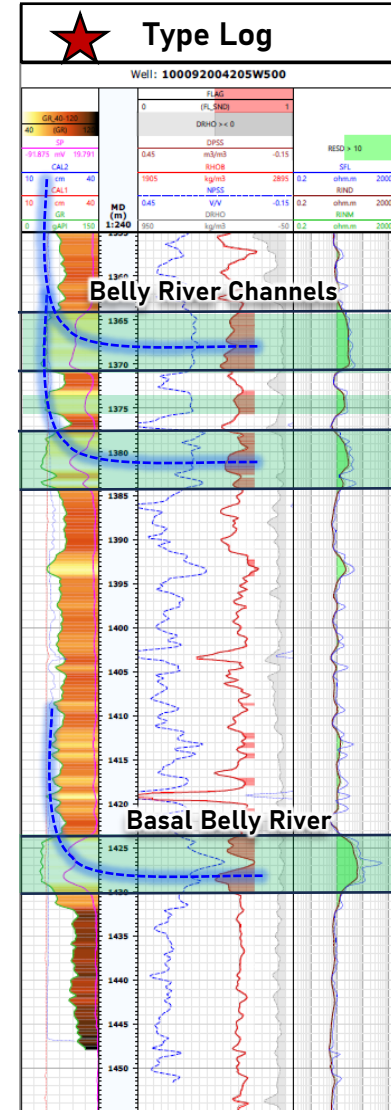
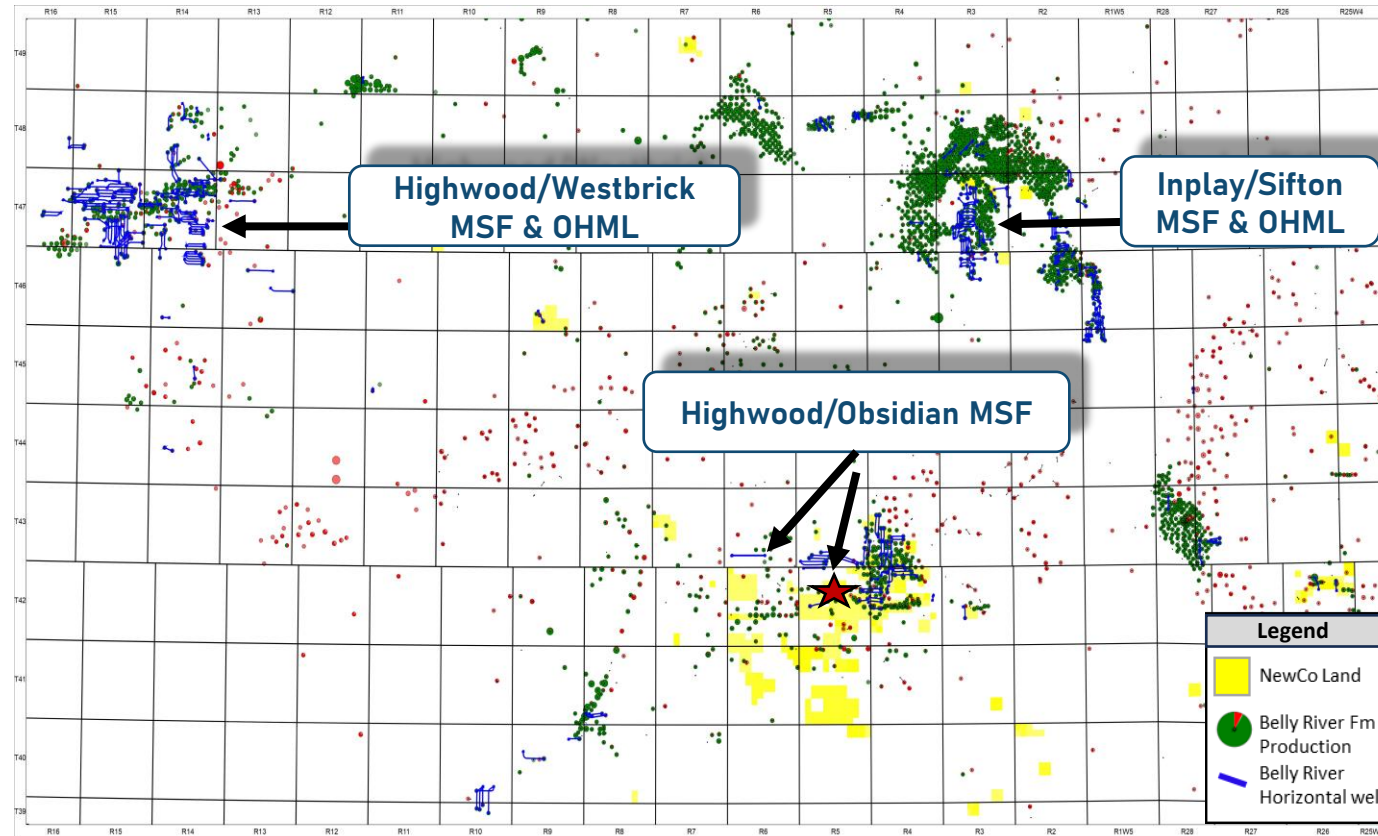
3. The cash contributed to Newco will be subject to adjustment pursuant to the Transaction, which could result in less cash being available to Newco



# Central Alberta – Newco Asset

Material, multizone, sweet light oil development potential

- ~ 73 sections (avg. 82% WI) of Belly River rights
- Up to 6 stacked, oil charged, prospective Belly River sands at depths less than 1500 meters
- Successful offsetting and regional competitor results in the Belly River delivering 90 day oil rates between 195-680 bbl/d
- Currently finalizing plans to drill in 2025



■ MSF – multi-stage fractured horizontal well, OHML – open hole multi-lateral horizontal well

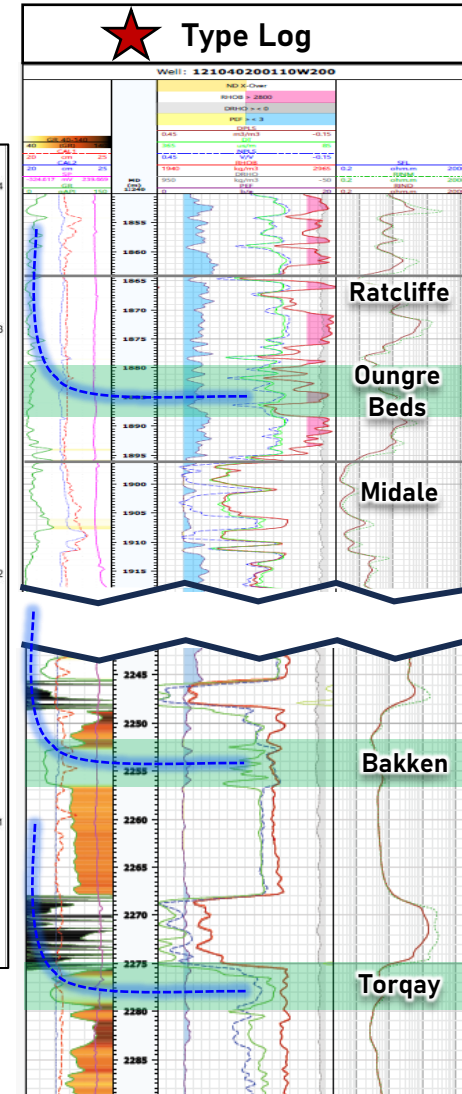
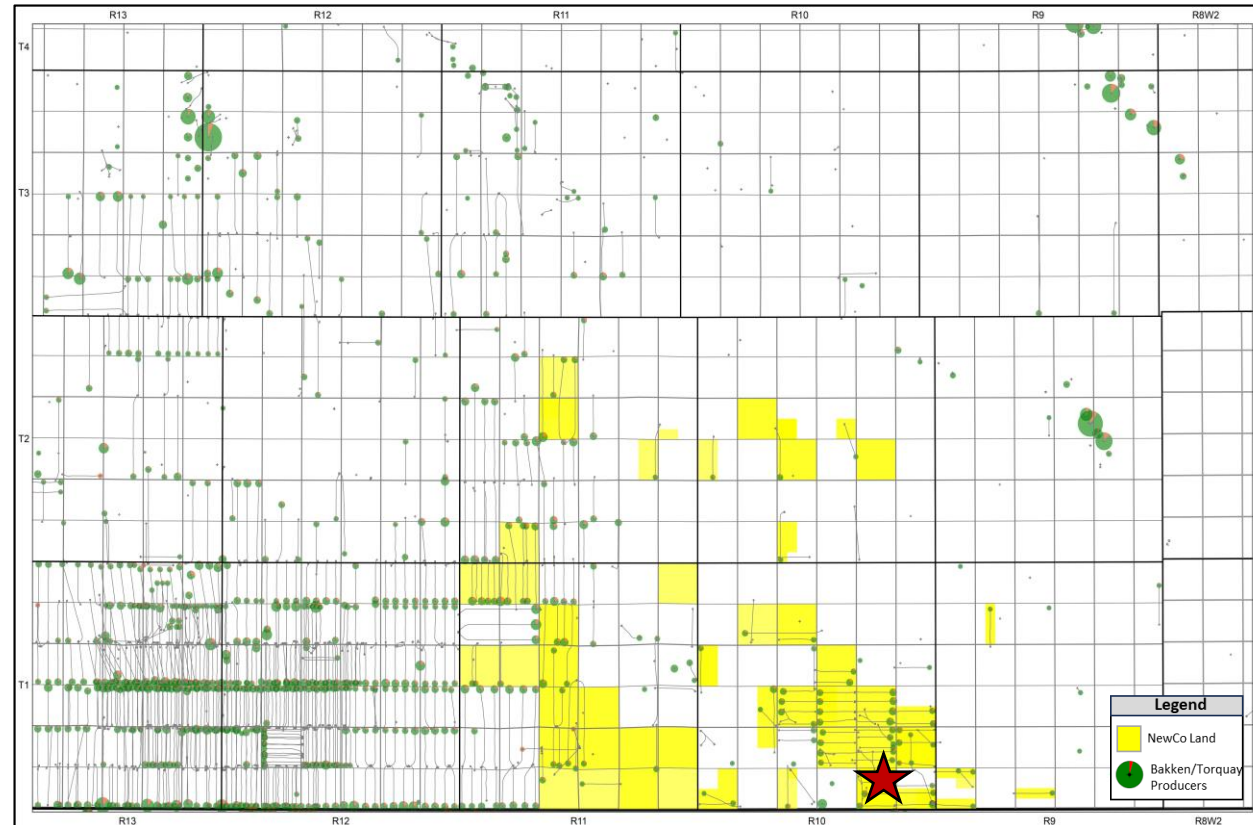




# Southeast Saskatchewan – Newco Asset

High netback, sweet light oil with waterflood upside and potential additional zones

- ~ 40 sections of contiguous light oil rights (100% WI) with favorable tenure
- 3 prospective light oil zones 1800 m – 2300 m
- Bakken and Torquay historical development with waterflood upside
- Evaluating additional zones and waterflood upside
- Currently finalizing plans for 2025

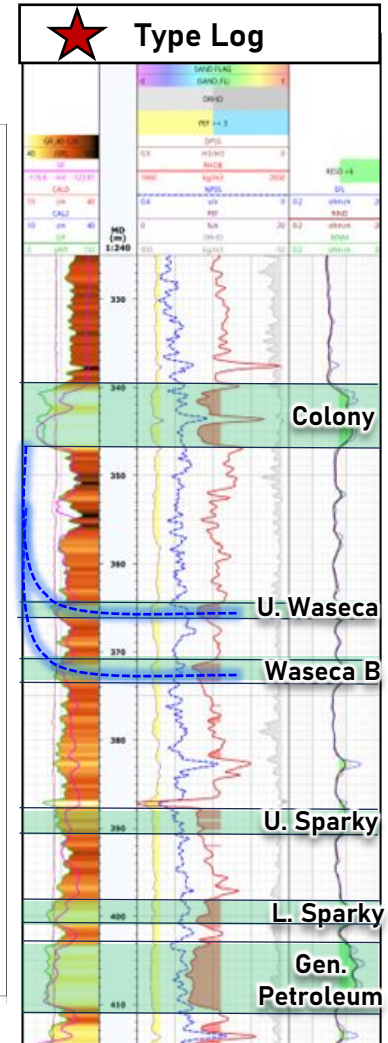
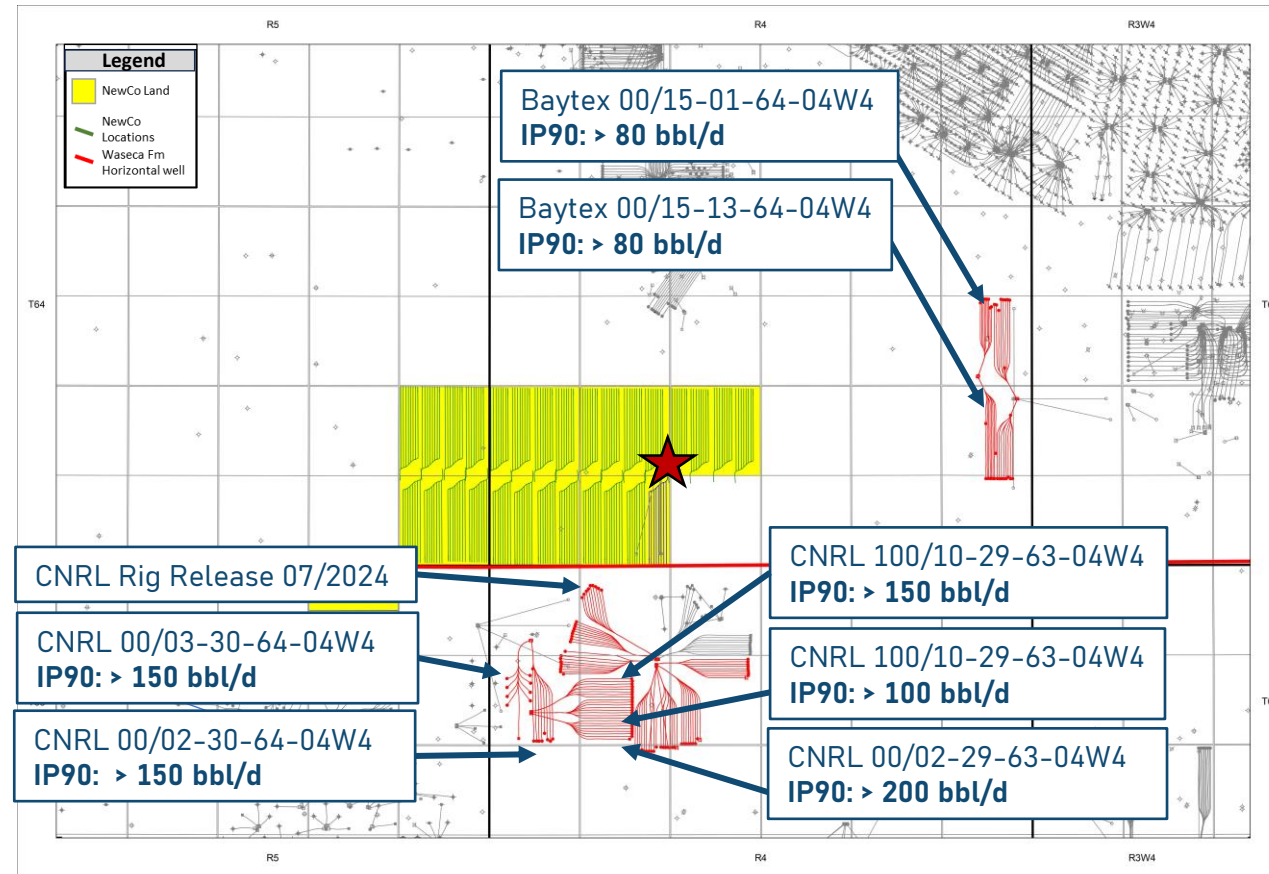




# Tucker Lake – Newco Prospect

Undeveloped lands with substantial Mannville heavy oil upside with multi-lateral drilling

- ~ 7.5 sections of contiguous oil sands leases (100% WI) with favorable tenure
- Up to 6 stacked, oil charged, prospective Mannville sands at depths less than 400 meters
- Offset, open-hole multilaterals, delivering 90 day oil rates from the Waseca B between 80-150 bbl/d
- Currently finalizing plans to test in 2025





# Leadership Team

## Balanced & Experienced

### Leadership Team

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**Kevin Johnson – President/CEO – 19 Yrs.**

- Former VP Engineering Artis Exploration
- Vermilion Energy, Kereco Energy, Ketch Resources

**David Hwang – CFO/VP Finance – 27 Yrs.**

- Former controller of ARC Resources
- Encana, Deloitte & Touche

**Bryan Dozzi – VP Engineering – 30+ Yrs.**

- Former VP Business Development Rock Energy
- Norcen, Anadarko, Encana, Enerplus,

**Jason Kaluski – VP Operations – 27 Yrs.**

- Former Manager Operations - Questerre Energy
- Richmount, ARC Resources, Beau Canada

**Steve Power – VP Exploration – 24 Yrs.**

- Vermilion Energy, Profound, Highpine, Kick Energy

### Independent Directors

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**Scott Robinson – Chairman, Reserves Chair**

**Kathy Turgeon – Audit Chair**

**Grey Bay – GC&S Chair**

**Don Gray - Director**

**Bindu Wyma - Director**

**Wilson Wang- Director**





# Advisories

The information contained in this presentation does not purport to be all-inclusive or to contain all information that prospective investors may require. Additional information relating to Gear Energy Ltd. ("Gear" or the "Corporation") is available on Gear's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and readers should read such information prior to making an investment decision. Prospective investors are also encouraged to conduct their own analysis and reviews of the Corporation and of the information contained in this presentation. Without limitation, prospective investors should consider the advice of their financial, legal, accounting, tax and other advisors and such other factors they consider appropriate in investigating and analyzing the Corporation.

**Forward Looking Information:** Certain information in this presentation contains certain forward-looking statements, including within the meaning of applicable securities laws. These statements relate to future events or our future intentions or performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "future", "may", "could", "targeted", "should", "would", "suspect", "outlook", "believe", "anticipate", "estimate", "expect", "intend", "plan", "target", "potential" and similar words and expressions and include statements related to, among other things: Gear's position, focus and strategy; the Transaction, including the conditions thereof, the anticipated benefits to be derived therefrom and the anticipated timing thereof; the anticipated value of Newco shares; the amount of cash that will go into Newco on closing of the Transaction; the various scenarios for how cash and Newco shares will be allocated to shareholders based on elections made by shareholders; the anticipated focus of Newco; the expectation that Newco will re-invest its capital into the business; the expectation that Newco's assets are well positioned and capitalized to generate outsized cashflow growth per debt adjusted share; the expected characteristics of certain of the locations comprising Newco's assets; the anticipated capitalization, cash flow and average daily production of Newco; the expectation that Newco will establish a credit facility and the anticipated principal amount of such credit facility; the anticipated management team of Newco; and the anticipated timing of when Newco's 2025 guidance and independent reserves report will be finalized and released to shareholders. Gear and Newco's actual decisions, activities, results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Gear or Newco, as applicable, will derive from them.

The forward-looking information and statements contained in this presentation 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 amount of cash available to Newco may be adjusted downward pursuant to the Transaction which could result in the value of the Newco shares being less than anticipated; the accuracy of the estimates of Gear's reserves and resource volumes; certain commodity price and other cost assumptions; that the closing of the Transaction will occur when anticipated and on the terms anticipated; the ability to meet the conditions to closing the Transaction and the receipt of all shareholder, exchange, court and regulatory approvals; the performance of Newco's business and Newco's assets; and that Newco will establish a new credit facility upon the completion of the Transaction. 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. Readers are cautioned that the foregoing list of factors are not exhaustive.





# Advisories

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The forward-looking information and statements contained in this presentation speak only as of the date of this presentation. The Corporation does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws. Readers should not place undue importance on forward-looking information and should not rely upon this information as of any other date.

This presentation contains information that may be considered a financial outlook under applicable securities laws about the Corporation's potential financial position, including, but not limited to: the anticipated capitalization and cash flows of Newco; and the expectation that Newco will establish a credit facility and the anticipated principal amount of such credit facility; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Corporation and the resulting financial results will vary from the amounts set forth in this presentation and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Corporation undertakes no obligation to update such financial outlook. The financial outlook contained in this presentation was made as of the date of this presentation and was provided for the purpose of providing further information about the Corporation's potential future business operations. Readers are cautioned that the financial outlook contained in this presentation is not conclusive and is subject to change.





# Advisories

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## ***Net debt***

Net debt is a capital management measure defined as debt less current working capital items (excluding debt, risk management contracts and decommissioning liabilities). Gear believes that net debt 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 are primarily a result of funds from operations, capital and abandonment expenditures, equity issuances, dividends paid and equity repurchases pursuant to the Corporation's normal course issuer bid, if the Corporation chooses to do so.

## ***Net operating income or NOI***

Net operating income or NOI is a non-financial measure defined as Petroleum and natural gas sales less Royalties, Operating expenses and Transportation expenses. Gear believes that NOI provides management and investors with income generating capabilities at an asset category level.

**Oil and Gas Information:** Certain natural gas volumes have been converted to barrels of oil equivalent ("boe") based on a conversion ratio of one bbl to six mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent value equivalency at the well head. Given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

References to heavy and medium oil, light oil, NGLs and natural gas in this presentation refer to the heavy crude oil, medium crude oil and light 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* ("NI 51-101").



# Advisories

**Initial Production Rates:** References in this presentation to initial production rates, IP90, other short-term production rates or initial performance measures relating to new wells are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for Gear. Accordingly, Gear cautions that the initial production results should be considered to be preliminary.

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**Analogous Information:** Certain information in this presentation may constitute "analogous information" as defined in NI 51-101 with respect to certain drilling results and plans of other companies with operations that are in geographical proximity to Gear's assets. Management of Gear believes the information may be relevant to help determine the expected results that Gear and Newco may achieve within such lands and such information has been presented to help demonstrate the basis for Gear and Newco's business plans and strategies with respect to its assets. There is no certainty that the results of the analogous information or inferred thereby will be achieved by Gear or Newco.

**Definitions:** Boe = barrel of oil equivalent (6:1), Boe/d = Boe per day, bbl/d = barrels per day, Mmcf/d = MM cubic feet per day, WI = working interest, MM = million, m = metres, EV = enterprise value, TV = transaction value and VWAP = volume-weighted average price.