

Gear Energy Ltd. Announces Third Quarter 2024 Operating Results

Calgary, Alberta--(Newsfile Corp. - November 7, 2024) - Gear Energy Ltd. ("Gear" or the "Company") (TSX: GXE) (OTCQX: GENGF) is pleased to provide the following third quarter operating results to shareholders. Gear's Interim Consolidated Financial Statements and related Management's Discussion and Analysis ("MD&A") for the period ended September 30, 2024 are available for review on Gear's website at www.gearenergy.com and on www.sedarplus.ca.

(Cdn\$ thousands, except per share, share and per boe amounts)	Three months ended			Nine months ended	
	Sep 30, 2024	Sep 30, 2023	Jun 30, 2024	Sep 30, 2024	Sep 30, 2023
FINANCIAL					
Funds from operations (1)	18,242	20,978	20,182	53,606	51,098
Per boe (1)	34.36	41.38	39.46	34.31	32.64
Per weighted average basic share (1)	0.07	0.08	0.08	0.20	0.20
Cash flows from operating activities	17,751	17,532	17,212	45,429	45,776
Per boe	33.43	34.58	33.65	29.08	29.24
Per weighted average basic share	0.07	0.07	0.07	0.17	0.18
Net income	7,316	8,150	9,388	19,285	15,690
Per weighted average basic share	0.03	0.03	0.04	0.07	0.06
Capital expenditures	8,986	12,008	11,688	28,274	37,370
Decommissioning liabilities settled- Gear	1,204	2,202	1,290	4,793	3,555
Decommissioning liabilities settled- Government (2)	-	-	-	-	37
Net debt (1)	(5,149)	(13,297)	(9,111)	(5,149)	(13,297)
Dividends declared and paid	3,953	5,243	3,953	11,842	20,918
Dividends declared and paid per share	0.015	0.02	0.015	0.045	0.08
Weighted average shares, basic (thousands)	263,584	262,139	263,537	263,175	261,549
Shares outstanding, end of period (thousands)	263,589	262,220	263,584	263,589	262,220
OPERATING					
Production					
Heavy and medium oil (bbl/d)	3,582	3,164	3,194	3,286	3,274
Light oil (bbl/d)	1,189	1,327	1,406	1,384	1,366
Natural gas liquids (bbl/d)	329	233	307	316	268
Natural gas (mcf/d)	4,027	4,720	4,285	4,296	4,953
Total (boe/d)	5,771	5,511	5,621	5,702	5,734
Average prices					
Heavy and medium oil (\$/bbl)	81.47	90.63	89.00	81.29	75.60
Light oil (\$/bbl)	96.33	105.51	103.53	96.25	98.25
Natural gas liquids (\$/bbl)	41.76	46.53	44.30	45.82	46.01
Natural gas (\$/mcf)	0.44	2.64	1.05	1.34	2.67
Netback (\$/boe)					
Petroleum and natural gas sales	73.11	81.67	79.68	73.76	71.03
Royalties	(10.60)	(9.74)	(10.11)	(9.95)	(8.51)
Operating costs	(20.71)	(23.57)	(20.87)	(20.50)	(22.51)
Transportation costs	(3.16)	(3.28)	(3.36)	(3.36)	(3.77)
Operating netback (1)	38.64	45.08	45.34	39.95	36.24
Realized risk management gain (loss)	0.04	1.00	(0.32)	(0.09)	1.08
General and administrative	(3.37)	(3.45)	(4.42)	(4.45)	(3.65)
Interest and other	(0.95)	(1.25)	(1.14)	(1.10)	(1.03)

(1) Funds from operations (including per boe and per weighted average basic 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 this press release.

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

MESSAGE TO SHAREHOLDERS

In July 2024, Gear announced a new strategic direction. 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. Our mission is to maximize full cycle profits and deliver superior total shareholder returns. We will accomplish this by establishing dominant positions in our core

operating areas. We are committed to simplifying and high grading our business to allow us to build and leverage technical expertise, increase operational focus and create lasting strategic advantages. Our primary focus is to develop and fund high-quality, internally generated organic growth opportunities.

Ultimately, we aim to position Gear as a high torque, pure organic growth company with a large multi-year inventory of repeatable, top quartile oil and condensate development locations.

Gear will be focused on the following strategic priorities:

1. Build and maintain a talented and entrepreneurial team and foster a culture of accountability and continuous improvement
2. Execute strong capital programs that ensure disciplined capital allocation to the highest return projects
3. Establish improved operational efficiencies that increase the return on every shareholder dollar invested
4. Re-characterize existing assets by maximizing inventory and identifying new prospective opportunities

Gear is in the process of finalizing its plans for 2025 which will share with shareholders in the near future.

QUARTERLY HIGHLIGHTS

- Production for the third quarter of 2024 was 5,771 boe per day, a 3% increase over the 5,621 boe per day reported for the second quarter of 2024. The increase is attributed to new production from Gear's successful 2024 drilling program as well as an increase in Killam, Alberta due to the completion of a natural gas tie-in of associated gas from Gear's Killam oil wells to alleviate third party gas take-away constraints. With low natural gas prices, Gear also shut-in two gas fields for the third quarter, which previously produced a combined 41 boe per day. As a result of strong production, Gear is forecasting production at the upper end of its 5,400 to 5,600 boe per day annualized production range.
- Gear invested a total of \$9.0 million of capital during the third quarter including the drilling of two heavy oil wells in Maidstone, Saskatchewan and three heavy oil wells in Celtic, Saskatchewan. This also includes \$1.0 million invested in land and seismic. To date in 2024, the Company has invested \$2.1 million in land and seismic. As of September 30, 2024, Gear has finished all drilling activities for 2024 and is planning to restart capital investment in early 2025.
- Funds from operations for the third quarter of 2024 were \$18.2 million, a decrease of 10% from the second quarter of 2024 as a result of lower commodity prices offset by increased production. Commodity prices decreased in the third quarter driven by a lower WTI benchmark oil price. Although WTI prices decreased, differentials were stable due to the commencement of operations of the TransMountain Pipeline earlier in 2024, which added much needed basin egress. Gear's realized heavy and medium oil price decreased from C\$89.00 per barrel to C\$81.47 per barrel while realized light oil price decreased from C\$103.53 per barrel to C\$96.33 per barrel. Looking forward, WCS differentials are expected to average approximately US\$13 per barrel compared to US\$22 per barrel in the fourth quarter of 2023.
- Gear continues to strengthen a strong balance sheet, with a net debt to quarterly annualized funds from operations ratio of 0.1 times. Net debt decreased from \$9.1 million on June 30, 2024 to \$5.1 million on September 30, 2024. See "Non-GAAP and Other Financial Measures" in this press release.

REVISED 2024 GUIDANCE

	2024 Revised Guidance	2024 Previous Guidance	2024 YTD Actuals
Annual production (boe/d)	5,600	5,400 - 5,600	5,702
Heavy and medium oil weighting (%) ⁽¹⁾	59	58	62
Light oil and NGLs weighting (%) ⁽¹⁾	28	30	26
Royalty rate (%)	14	13	14
Operating and transportation costs (\$/boe)	24.50	24.50	23.86
General and administrative expense (\$/boe)	4.25	4.25	4.45
Interest and other (\$/boe)	1.00	1.00	1.10
Capital and abandonment expenditures (\$ millions) ⁽²⁾	38	40	33

(1) Medium oil has been reclassified from light oil and included in the category "Heavy and medium oil".

(2) Capital and abandonment expenditures including decommissioning liability expenditures made by Gear.

Forward-looking Information and Statements

This press release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this press release contains forward-looking information and statements pertaining to the following: Gear's operational strategy, plans, priorities and focus; Gear's objective to deliver superior total shareholder returns and its anticipated means of achieving such objective; Gear's intent to primarily focus on developing and funding high-quality, internally generated organic growth opportunities; Gear's intention to share the plans for 2025 with shareholders before year end; Gear's forecasting of production at the upper end of its 5,400 to 5,600 boe per day annualized production range; Gear's intent to restart capital investments in 2025; and Gear's 2024 guidance and anticipated benefits thereof including its expected annual production (including commodity weightings), royalty rate, operating and transportation costs, general and administrative costs, interest expense and capital and abandonment expenditures.

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

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

to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; the risk that Gear may not deliver superior total shareholder returns; the risk that Gear's 2024 financial and operational results may not be consistent with its expectations; and certain other risks detailed from time to time in Gear's public documents including in Gear's most current annual information form which is available on SEDAR+ at www.sedarplus.ca.

The amount of future cash dividends paid by Gear, if any, will be subject to the discretion of the Board of Directors of Gear and may vary depending on a variety of factors and conditions existing from time to time, including, among other things, funds from operations, fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements and debt levels, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. Depending on these and various other factors, many of which will be beyond the control of the Company, future cash dividends declared and paid by the Company may be increased, reduced or suspended entirely.

The forward-looking information and statements contained in this press release speak only as of the date of this press release, and Gear does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Non-GAAP and Other Financial Measures

This press release includes references to non-GAAP and other financial measures that Gear uses to analyze financial performance. These specified financial measures include non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures, and are not defined by 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 nine months ended September 30, 2024 and year ended December 31, 2023, where applicable, is 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 normal course issuer bid ("2024 NCIB"), if the Company chooses to do so.

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

(\$ thousands)	Three months ended			Nine months ended	
	Sep 30, 2024	Sep 30, 2023	Jun 30, 2024	Sep 30, 2024	Sep 30, 2023
Cash flows from operating activities	17,751	17,532	17,212	45,429	45,776
Decommissioning liabilities settled ⁽¹⁾	1,204	2,202	1,290	4,793	3,555
Change in non-cash operating working capital	(713)	1,244	1,680	3,384	1,767
Funds from operations	18,242	20,978	20,182	53,606	51,098

(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.

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.

Reconciliation of debt to net debt:

Capital Structure and Liquidity (\$ thousands)	Sep 30, 2024	Dec 31, 2023
Debt	(15,370)	(21,155)
Working capital surplus ⁽¹⁾	10,221	7,056
Net debt	(5,149)	(14,099)

(1) Excludes risk management contracts and decommissioning liabilities.

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.

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 press release represents various results on a per boe basis, including: cash flows from operating activities, petroleum and natural gas sales, royalties, operating costs, transportation costs, realized risk management (loss) gain, general and administrative and interest and other. 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.

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 press release 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*.

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