Gear Energy Ltd. Announces Third Quarter 2023 Operating Results and 2024 Budget Guidance

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Calgary, November 9, 2023 - 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, 2023 are available for review on Gear's website at www.gearenergy.com and on www.sedar.com.

	Three months ended			Nine mo	
(Cdn$ thousands, except per share, share and per boe amounts)	Sep 30, 2023	Sep 30, 2022	Jun 30, 2023	Sep 30, 2023	Sep 3
FINANCIAL					
Funds from operations (1)	20,978	22,544	17,108	[illegible]	[illegible]
Per boe	41.38	42.79	32.74	[illegible]	[illegible]
Per weighted average basic share	0.08	0.09	0.07	[illegible]	[illegible]
Cash flows from operating activities	17,532	26,196	13,311	[illegible]	[illegible]
Per boe	34.58	49.72	25.47	[illegible]	[illegible]
Per weighted average basic share	0.07	0.10	0.05	[illegible]	[illegible]
Net income	8,150	17,750	5,550	[illegible]	[illegible]
Per weighted average basic share	0.03	0.07	0.02	[illegible]	[illegible]
Capital expenditures	12,008	14,872	7,370	[illegible]	[illegible]
Decommissioning liabilities settled- Gear	2,202	2,859	912	[illegible]	[illegible]
Decommissioning liabilities settled- Government (2)	-	433	-	[illegible]	[illegible]
Net (debt) surplus (1)	(13,297)	6,959	(14,322)	[illegible]	[illegible]
Dividends declared and paid	5,243	7,751	7,849	[illegible]	[illegible]
Dividends declared and paid per share	0.02	0.03	0.03	[illegible]	[illegible]
Weighted average shares, basic (thousands)	262,139	258,385	261,629	[illegible]	[illegible]
Shares outstanding, end of period (thousands)	262,220	259,367	262,115	[illegible]	[illegible]
OPERATING					
Production					
Heavy oil (bbl/d)	2,601	2,546	2,698	[illegible]	[illegible]
Light and medium oil (bbl/d)	1,890	1,971	1,955	[illegible]	[illegible]
Natural gas liquids (bbl/d)	233	320	279	[illegible]	[illegible]
Natural gas (mcf/d)	4,720	5,339	4,860	[illegible]	[illegible]
Total (boe/d)	5,511	5,727	5,742	[illegible]	[illegible]
Average prices					
Heavy oil ($/bbl)	89.65	89.32	73.92	[illegible]	[illegible]
Light and medium oil ($/bbl)	102.43	109.95	89.63	[illegible]	[illegible]
Natural gas liquids ($/bbl)	46.53	60.62	40.74	[illegible]	[illegible]
Natural gas ($/mcf)	2.64	4.47	2.22	[illegible]	[illegible]
Netback ($/boe)					
Petroleum and natural gas sales	81.67	85.10	69.10	[illegible]	[illegible]
Royalties	(9.74)	(12.14)	(8.20)	[illegible]	[illegible]
Operating costs	(23.57)	(21.16)	(21.54)	[illegible]	[illegible]
Transportation costs	(3.28)	(3.67)	(3.75)	[illegible]	[illegible]
Operating netback (1)	45.08	48.13	35.61	[illegible]	[illegible]
Realized risk management gain (loss)	1.00	(1.94)	1.37	[illegible]	[illegible]
General and administrative	(3.45)	(3.20)	(3.12)	[illegible]	[illegible]
Interest and other	(1.25)	(0.20)	(1.12)	[illegible]	[illegible]

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

Gear is pleased to announce strong third quarter results, with funds from operations increasing 23 per cent and net debt reduced by seven per cent from the prior quarter. The third quarter was also active from a capital investment perspective as Gear drilled eight wells with an additional two wells rig released in October. As a result of the new wells, fourth quarter production is expected to average approximately 5,900 boe per day or an approximate seven per cent increase from the third quarter. Additionally, during the third quarter Gear brought on-stream one new heavy oil waterflood project, further advancing Gear's continued commitment to invest in long-life enhanced oil recovery opportunities.

With this third quarter release, Gear is also pleased to provide guidance for 2024 highlighted by a $57 million budget targeting steady growth, continued shareholder returns, maintenance of a strong balance sheet, further reductions in corporate liability and the potential for incremental funds from operations less capital and abandonment expenditures and dividends at oil prices above US $74 WTI.

During the third quarter Gear also announced the commencement of a formal process to explore, review and evaluate strategic repositioning alternatives with a view to enhancing shareholder value (the "Strategic Process"). The Board of Directors of Gear (the "Board") continues to undertake a comprehensive review to identify and consider a broad range of alternatives to enhance shareholder value, including, but not limited to, a merger, corporate sale, corporate restructuring, sale of select assets, purchase of assets, potential spin-out of select assets, optimization of future capital allocation and return of capital strategies, or any combination of these alternatives. The Strategic Process is ongoing and Gear does not intend to disclose developments unless the Board has approved a specific transaction, or otherwise determines that disclosure is necessary or appropriate.

QUARTERLY HIGHLIGHTS

- Production for the third quarter of 2023 was 5,511 boe per day, a four per cent decrease over the 5,742 boe per day reported in the second quarter of 2023 as a result of natural declines and the disposition of non-core heavy oil assets. Production is anticipated to average approximately seven per cent higher in the fourth quarter of 2023 as all the new wells drilled during the summer and fall come on production and are optimized.

- Funds from operations for the third quarter of 2023 were $21.0 million, an increase of 23 per cent from the second quarter of 2023 as a result of higher commodity prices and partially offset by higher royalties and operating costs. For the third quarter, realized prices improved from $69.10 per boe to $81.67 per boe due to a higher WTI price and a narrowing of both heavy and light oil differentials. Field netback of $45.08 per boe for the third quarter was a 27 per cent increase from the second quarter.

- A total of $12.0 million of capital was invested through the third quarter including the drilling of eight gross (eight net) wells: three single leg lined heavy oil wells in Maidstone, Saskatchewan, three multi-lateral unlined heavy oil wells in Wildmere, Alberta, and two single leg lined heavy oil wells in Celtic, Saskatchewan. Subsequent to the quarter end, two light oil wells in Tableland, Saskatchewan were successfully rig released and are expected to be completed and on production in November.

- Gear continues to invest to reduce its abandonment and reclamation liability. For the first nine months of 2023, Gear has incurred $3.6 million in settling its decommissioning liabilities with 71 gross (68.1 net) wells abandoned and 5 gross (5 net) leases reclaimed. Gear's undiscounted and unescalated decommissioning liability has fallen from $87.6 million at the start of 2023 to $78.4 million as at September 30, 2023.

- In August 2023, Gear closed a minor disposition of non-core heavy oil assets for nominal proceeds. The transaction included the disposition of 93 wells, 15 facilities and two pipelines that carried a decommissioning liability of $3.0 million. Production from the assets was approximately 120 boe per day.
- Net debt to quarterly annualized funds from operations was 0.2 times, with net debt falling seven per cent from $14.3 million on June 30, 2023 to $13.3 million on September 30, 2023.

2024 BUDGET GUIDANCE

The Board has approved a 2024 capital budget of $57 million dollars designed to target the following four key strategic goals:

1. Three to four per cent annual production growth through investment into core area drilling and waterflood opportunities;
2. Continuation of the half cent per share monthly dividend;
3. Maintenance of the strong balance sheet; and
4. Continued commitment to improving Gear's environmental footprint through abandonment and reclamation activities

The details of the 2024 capital budget are as follows:

- $40.0 million (71%) focused on drilling 22 gross (22 net) wells including 13 Lloydminster area heavy oil wells, three Cold Lake, Alberta oil sands wells, three Killam, Alberta medium oil wells, two light oil wells in Wilson Creek, Alberta, and one light oil well Southeast Saskatchewan
- $5.3 million (10%) invested in water flood expansions including continued expansion of various heavy oil water floods, continued expansion of the Killam medium oil water flood, expansion of the Tableland light oil water flood and further expansions of the light oil water floods in Wilson Creek. Gear continues to increase capital investment into water flood projects to target increases in oil recovery factors and lowering production decline rates
- $6.3 million (11%) directed to continued reduction in liabilities associated with abandonment and reclamations
- $5.0 million (8%) invested in land, seismic, field capital projects, recompletions and other corporate costs

The budget is forecast to deliver the following results:

	2024 Guidance	2023 Guidance	Q3 2023 YTD Actuals
Annual production (boe/d)	6,000	5,700 - 5,900	5,734
Heavy oil weighting (%)	51	49	47
Light oil, medium oil and NGLs weighting (%)	37	37	39
Royalty rate (%)	12	13	12
Operating and transportation costs ($/boe)	24.70	25.00	26.28
General and administrative expense ($/boe)	3.20	3.50	3.65
Interest and other expense ($/boe)	0.50	1.00	1.03
Capital and abandonment expenditures ($ millions)(1)	57	50	41

(1) Capital and abandonment expenditures includes decommissioning liability expenditures made by Gear and excludes any expenditures made by the federal government's Site Rehabilitation Program.

Using various WTI price forecasts for 2024 and assuming a WCS differential of US$18 per barrel, MSW and LSB differentials of US$5 per barrel, AECO gas price of C$3 per GJ, and a foreign exchange of US$0.73 per C$, Gear is forecasting 2024 funds from operations ("FFO") as follows:

WTI US$	70	80	90
FFO ($ millions)	63	87	111

On an annualized basis, Gear forecasts its $0.005 per share per month dividend to total approximately $16 million. Gear estimates that WTI would have to average US$74 per barrel in order for FFO to equal the 2024 forecasted capital and abandonment expenditures of $57 million and the current annualized dividend. Any future increase in commodity prices beyond these base assumptions will provide incremental FFO less capital and abandonment expenditures and dividends which would be dedicated to potential future capital expansions, cash funded acquisitions, share buybacks and/or future dividend increases. Conversely, any future decrease in commodity prices may result in incremental debt and/or future dividend reductions.

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 expectation of fourth quarter production to average approximately 5,900 boe per day, an increase of seven per cent from the third quarter as a result of new wells drilled in the summer and fall coming on production; the Board's expectations to continue to review potential strategic alternatives to enhance shareholder value; Gear's expectations of two light oil wells in Tableland, Saskatchewan to be completed and on production in November; the expected details of the 2024, $57 million capital budget including the expectation that the capital budget will deliver three to four per cent annual production growth, continuation of the half cent per share monthly dividend, maintenance of Gear's strong balance sheet and continued improvement in Gear's environmental footprint; Gear's 2024 guidance and anticipated benefits thereof including expected annual average production (including commodity weightings), expected royalty rate, expected operating and transportation costs, expected general and administrative costs, expected interest expense and expected capital and abandonment expenditures; Gear's forecasting of 2024 funds from operations (including based on certain commodity price sensitivities); Gear's forecasted $0.005 per share per month dividend to total approximately $16 million; Gear's estimates of the WTI price per barrel required for the capital and abandonment expenditures and dividend to be fully funded by FFO; and Gear's plans for potential incremental FFO.

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; changes in commodity prices; changes in the demand for or supply of Gear's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Gear or by third party operators of Gear's properties, increased debt levels or debt service requirements; inability to obtain debt or equity financing as necessary to fund operations, capital expenditures and any potential acquisitions; any ability for Gear to repay any of its indebtedness when due; inaccurate estimation of Gear's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in Gear's public documents including in Gear's most current annual information form which is available on SEDAR at www.sedar.com.

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, 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, 2023 and year ended December 31, 2022, 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 and finance dividends.

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

	Three months ended		Nine months ended	
($ thousands)	Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Cash flows from operating activities	17,532	26,196	[illegible]	71,204
Decommissioning liabilities settled (1)	2,202	2,859	[illegible]	4,871
Change in non-cash operating working capital	1,244	(6,511)	[illegible]	(979)
Funds from operations	20,978	22,544	[illegible]	75,096

(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 and finance dividends.

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 and finance dividends.

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 and dividends paid.

Reconciliation of debt to net debt:

Capital Structure and Liquidity ($ thousands)	Sep 30, 2023	Dec 31, 2022
Debt	(20,994)	(7,123)
Working capital surplus (1)	7,697	4,903
Net debt	(13,297)	(2,220)

(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 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.

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.

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