GEAR ENERGY

GEAR ENERGY LTD. ANNOUNCES OPERATIONAL UPDATE AND 2018 REVISED OUTLOOK

CALGARY, ALBERTA (March 21, 2018) Gear Energy Ltd. (“Gear” or the “Company”) (TSX:GXE) is pleased to present the following operational update and revised outlook for 2018.

The first quarter of 2018 has been quite dynamic to date. The Company would like to update investors on the following key accomplishments and revised outlook:

2018 Capital Activity To Date

Wilson Creek
Gear successfully drilled and frac’d a new extended reach Basal Belly River light oil well at 11-34-42-4W5. The well was drilled offset to the Gear 16-33-42-4W5 well; the best Belly River well drilled in the area to date with an IP30 peak rate of approximately 290 boe per day (85% liquids). The 11-34 well encountered approximately 1.5 times as much reservoir as the 16-33 well at an estimated all-in cost of $2.9 million gross ($2.6 million net at 92% working interest). This well should be on production in April.

Wildmere GP
Two dual-lateral unlined General Petroleum wells successfully drilled in 2017 were brought on production in January with some of the best rates seen from this play to date. The two wells, 100/8-17-48-5W4 and 102/8-17-48-5W4, averaged peak IP30 rates over 150 bbl of oil per day per well. The wells were drilled and brought on production at a cost of $0.9 million per well. In addition, Gear was successful in acquiring an additional 2,500 acres of land currently mapped within the same pool.

New Cummings Play
Gear successfully drilled a quad-lateral unlined horizontal Cummings well into a new area outside of the existing de-risked Wildmere asset. The well is currently on production with the last 10 days averaging approximately 150 bbl per day of oil. The well was drilled and brought on production at a cost of $1.3 million. These early results are encouraging and could lead to an expansion of future drilling inventory in the area.

New Potential Medium Oil Prospect
Gear acquired a large land position of approximately 14,000 acres in a new area that appears prospective for multi-stage fractured horizontal development of medium oil, similar to Gear’s successful Killam asset. The team is currently acquiring seismic and planning to drill its first well into this play during the third quarter of 2018.

Heavy Oil Takeaway

Although the Western Canada Select (“WCS”) heavy oil pricing outlook has improved over the last couple of months, the physical ability to ship oil to market has degraded through the first quarter. Heavy oil pipeline shipping capacity out of Canada decreased in the fourth quarter of 2017 due to a leak on the Keystone pipeline, the resulting inventory builds from the associated shutdown and the reduced operating capacity upon resumption of service. This created a backlog of inventory that historically would have been managed using crude-by-rail. However, as the end of the first quarter approaches, railing has yet to alleviate this issue. As a result of increased demand for rail, due to strong grain production and increased transportation of frac sand, coupled with current limited capacity, crude-by-rail has not performed as it had historically. The majority of these issues are considered to be seasonal and short-term in nature, with improvements forecasted into the spring. With the announced increase to both investment and hiring by rail providers, it is forecasted that there will be an increase in rail capacity. As well, improved reliability is anticipated with the end of the extreme winter weather. In addition to the expectation for improvements in crude-by-rail, pipeline throughputs normally increase with the warmer weather due to reduced diluent requirements. In parallel with the potential takeaway improvements, the current forward market forecasts the WCS price differential to improve into the summer by approximately 20 per cent relative to the first quarter.

As a result of the issues highlighted, Gear has been subjected to approximately 30 per cent apportionments through February and March on its heavy oil sales. The restrictions have been managed as prudently as possible through the quarter by building a record inventory of saleable oil in excess of 41,000 barrels and by temporarily slowing down multiple heavy oil wells. Total corporate productive capability through the quarter is estimated at 7,350 boe per day. However, as a result of the apportionments, the quarterly sales volumes are currently forecast to average 6,450 boe per day. Fortunately, with egress expected to improve, and with a reduced and optimized capital forecast for the remainder of the year, it is anticipated that these short term challenges will not have a significant impact on the annual results. Details are discussed below.

2018 Optimized Budget

Gear is dedicated to ensuring that invested capital is focused on low-risk, high rate of return projects in order to yield competitive growth while ensuring the maintenance of a strong balance sheet. In light of the temporary challenges related to the shipment of heavy oil production, the team is refocusing a significant portion of the 2018 capital budget to the Company's light and medium oil opportunities that do not experience the same egress challenges. Gear will also continue to be aggressive in implementing light and medium oil recompletion and waterflood optimization projects. The net result of the new budget is an estimated deferral of approximately 700 bbls per day of heavy oil production from the first half of 2018, with the majority of that production made up in the second half, through a combination of increased light and medium oil production, heavy oil well speed-ups and heavy oil inventory sales. As always, Gear will remain nimble and continue to monitor pricing and logistics with the intention of investing capital approximate to actual realized cash flow targeting an annual net debt to cash flow ratio from operations of one or less.

The revised 2018 budget outlook includes an increased focus on light and medium drilling opportunities, with over 40 per cent of forecasted capital now dedicated to drilling nine light and medium oil wells, including; Wilson Creek Basal Belly River, Ferrier Cardium, Killam Lloyd and the new potential medium oil prospect. The original 35 well heavy oil drilling program has been temporarily reduced to 16 wells, including; Paradise Hill McLaren and a variety of multi-lateral unlined horizontal wells in the Cummings, General Petroleum and Sparky. The deferral of a large portion of the drill-ready heavy oil program leaves Gear with significant optionality to add multiple low-risk, high rate of return wells to the program later in the year, if desired. The new forecast also includes approximately $4 million dedicated to land and seismic, $6 million to waterfloods, recompletions and corporate costs, and approximately $4 million for abandonment expenditures. Detailed guidance is as follows.

	Revised 2018 Outlook	**Original Guidance**
Annual Production (boe/d)	7,350	7,500
Per cent heavy oil (%)	61	68
Per cent light/medium oil & NGLs (%)	25	20
Royalties (%)	11	10
Operating and Transportation Costs ($/boe)	15.85	15.50
G&A Costs ($/boe)	2.25	2.15
Interest Costs ($/boe)	0.80	0.65
Capital and Abandonment Expenditures ($ million)	50	58

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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: the expected timing for bringing certain wells on production; the expectation that certain encouraging early results could lead to an expansion of future drilling inventory in a certain area; the expectation that a new prospect may be prospective for multi-stage fractured horizontal *development of medium oil, similar to Gear's successful Killam asset; the expected timing for drilling a well into a new play; that increased transportation capacity and reliability is forecast; forecast sales volumes and productive capacity in the first quarter of 2018; the expectation that egress will improve and with a reduced and optimized capital forecast for the remainder of the year, that these short term challenges will not have a significant impact on the annual results; the expectation that first quarter sales will average 6,450 boe per day; the intent to focus invested capital on low-risk, high rate of return projects in order to yield competitive growth while ensuring the maintenance of a strong balance sheet; the intent to refocus a significant portion of the 2018 capital budget to the Company's light and medium oil opportunities that do not experience the same egress challenges; the intent to continue to be aggressive in implementing light and medium oil recompletion and waterflood optimization projects; the expectation that approximately 700 bbls per day of heavy oil production from the first half of 2018 will be deferred with the majority of that production made up in the second half through a combination of increased light and medium oil production, heavy oil well speed-ups and heavy oil inventory sales; the intent of investing capital approximate to actual realized cash flow in order to maintain an annual net debt to cash flow ratio or one or less; Gear's expected capital budget for 2018 and the expected timing of expenditures; details on the wells to be drilled including the number of wells, the type of wells, where such wells will be drilled and the targets of such wells; the 2018 expected annual net debt to cash flow ratio; expectations of the amount of the budget focused on land, seismic, waterflood projects, infrastructure projects, recompletions, corporate capital and strategic abandonment and reclamation projects; expectations with respect to 2018 average production, 2018 commodity weighting, royalties, operating and transportation costs, G&A costs and interest costs; expectations of future commodity prices and differentials; and the intent that Gear will closely monitor pricing throughout the year and adjust capital as required to ensure a balance between growth, debt and estimated returns on capital.*

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 cash flow 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: 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; inaccurate estimation of Gear's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; lack of transporation capacity; 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 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 Measures

This press release contains the terms cash flow from operations and net debt, which do not have standardized meanings under Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. Management believes that these key performance indicators and benchmarks are key measures of financial performance for Gear and provide investors with information that is commonly used by other oil and gas companies. Cash flow from operations is calculated as cash flow from operating activities before changes in noncash operating working capital and decommissioning liabilities settled. Net debt is calculated as debt less current working capital items, excluding risk management contracts. Additional information relating to certain of these non-GAAP measures, including the reconciliation between cash flow from operations and cash flow from operating activities, can be found in the MD&A.

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 do 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.

Initial and Other Production Rates

Any references in this document to initial production rates, production rates of new wells over a period of time or any other initial drilling results are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells or other future wells will continue production and decline thereafter. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. There is no certainty that other wells on such properties will achieve such production levels. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for Gear.