NEWS RELEASE

GEAR ENERGY LTD. ANNOUNCES SECOND QUARTER 2016 OPERATING RESULTS

CALGARY, ALBERTA (August 3, 2016) Gear Energy Ltd. ("Gear" or the "Company") (TSX:GXE) is pleased to provide the following second quarter operating update to shareholders. Gear's Interim Financial Statements and related Management's Discussion and Analysis (MD&A) for the period ended June 30, 2016 are available for review on Gear's website at www.gearenergy.com and on www.sedar.com.

Financial Summary

	Three months ended			Six months ended	
(Cdn$ thousands, except per boe amounts)	**Jun 30, 2016**	Jun 30, 2015	Mar 31, 2016	**Jun 30, 2016**	Jun 30, 2015
FINANCIAL					
Cash flow from operations (1)	**8,333**	14,900	3,985	**12,317**	27,110
Per weighted average diluted share	**0.10**	0.21	0.05	**0.14**	0.38
Cash flow from operating activities	**5,066**	14,432	3,556	**8,622**	26,871
Per weighted average diluted share	**0.06**	0.20	0.04	**0.10**	0.38
Net (loss) income	**(7,312)**	(2,301)	(1,716)	**(9,028)**	(6,658)
Per weighted average diluted share	**(0.08)**	(0.03)	(0.02)	**(0.11)**	(0.09)
Capital expenditures	**1,165**	4,286	101	**1,267**	4,457
Net acquisitions (2)	**26**	(553)	(480)	**(454)**	(685)
Net debt outstanding (1)	**34,200**	71,678	59,550	**34,200**	71,678
Weighted average shares, basic and diluted	**86,117**	70,817	85,484	**85,800**	70,817
Shares outstanding, end of period	**114,234**	70,817	85,484	**114,234**	70,817
OPERATING					
Production					
Oil and liquids (bbl/d)	**4,358**	5,492	4,192	**4,275**	5,976
Natural gas (mcf/d)	**1,070**	838	1,459	**1,265**	890
Total (boe/d)	**4,536**	5,632	4,435	**4,485**	6,125
Average prices					
Oil and liquids ($/bbl)	**39.00**	50.72	20.90	**29.95**	43.37
Natural gas ($/mcf)	**1.20**	2.31	1.52	**1.39**	2.23
Oil equivalent ($/boe)	**37.75**	49.81	20.25	**29.10**	42.06
Netback ($/boe)					
Commodity and other sales	**37.75**	49.81	20.25	**29.10**	42.06
Royalties	**2.96**	5.96	1.63	**2.30**	6.13
Operating costs	**13.44**	18.66	15.34	**14.38**	18.26
Operating netback (before hedging) (1)	**21.34**	25.19	3.28	**12.41**	17.67
Realized risk management gains (losses)	**4.91**	9.37	12.71	**8.76**	11.28
Operating netback (after hedging) (1)	**26.25**	34.56	15.99	**21.17**	28.95
General and administrative	**3.28**	3.87	3.67	**3.47**	3.28
Transaction costs	**1.22**	-	-	**0.62**	-
Interest	**1.56**	1.42	1.53	**1.54**	1.40
Foreign exchange (gain) loss	**-**	0.17	-	**-**	(0.20)
Drilling commitments	**-**	-	1.19	**0.59**	-
Corporate netback (1)	**20.19**	29.10	9.60	**14.95**	24.47
TRADING STATISTICS					
($ based on intra-day trading)					
High	**0.82**	2.60	0.61	**0.82**	2.62
Low	**0.46**	1.78	0.25	**0.25**	1.38
Close	**0.61**	1.88	0.54	**0.61**	1.88
Average daily volume (thousands)	**272**	147	139	**206**	196

(1) Cash flow from operations, net debt, operating netback and corporate netback are non-GAAP measures and additional information with respect to these measures can be found under the heading "*Non-GAAP Measures*".

(2) Net acquisitions exclude non-cash items for decommissioning liability and deferred taxes and is net of post-closing adjustments.

HIGHLIGHTS

On July 27, 2016, Gear completed the acquisition of Striker Exploration Corp. ("Striker") in exchange for 76.2 million Gear shares and the assumption of approximately $9 million in net debt. The acquisition provides Gear with an additional 2,000 boe/d of 60 per cent light and medium oil production, approximately 90 net sections of undeveloped land, a new core focus area in the emerging Belly River light oil resource play, and a materially strengthened balance sheet. Gear currently estimates a total inventory of approximately 450 heavy and light oil drilling opportunities and plans on drilling its first well into the Belly River resource play in the fourth quarter of 2016. Gear will continue to aggressively target further strategic acquisition opportunities within its existing and new core areas. The following summarizes guidance for the full year 2016 and second half of 2016:

	Full Year 2016 Guidance	H2 - 2016 Guidance
Production – Annual (boe/d) (1)	**5,250**	**6,000**
Exit Production (boe/d)	**6,400**	**6,400**
Percent oil and liquids (%)	**88**	**85**
Royalty rate (%)	**11**	**12**
Operating costs ($/boe)	**14.00 – 16.00**	**14.00 – 16.00**
General and administrative expense ($/boe)	**2.80**	**2.50**
Interest expense ($/boe)	**1.25**	**1.00**
Capital expenditures ($ millions)	**12.5**	**11.2**
Year-end shares outstanding (millions)	**190.5**	**190.5**

(1) Striker volumes are included commencing July 27, 2016.

- Realized quarterly cash flow from operations of $8.3 million, a 109 per cent increase from the first quarter of 2016. Gear increased its cash flow as a result of higher pricing, record low royalty rates, record low operating costs per boe, and a one-time adjustment of approximately $2.1 million relating to prior periods on revenue. Despite continued commodity price weakness, albeit improved from the first quarter, Gear was able to achieve a $21.34 per boe field netback and a $20.19 per boe cash flow net back. Annualizing cash flow from operations, Gear's second quarter ratio of net debt to cash flow was 1.0 times. Gear continues to take prudent measures to strengthen its balance sheet in order to maintain financial flexibility through this low commodity price environment.

- Realized heavy oil prices recovered by 87 per cent in the second quarter of 2016 to $39.00 per barrel compared to the first quarter of 2016 price of $20.90 per barrel as a result of an increase in the WTI benchmark oil price, a narrowing of heavy oil differentials, and a stable Canadian dollar. Looking forward, Gear currently expects further commodity price volatility and potential weakness for the second half of 2016.

- Sales production for the second quarter averaged 4,536 boe per day, assisted by the reactivation of approximately 100 barrels per day of shut in production and a one-time adjustment of approximately 400 barrels per day relating to prior periods. These factors combined to help offset natural declines and limited development production additions due to minimal capital investment. With production from the Striker acquisition and new production from Gear's drilling program, Gear expects to resume growth during the second half of 2016 and to exit the year at approximately 6,400 boe per day.

- During the second quarter Gear spudded one quad-lateral un-lined horizontal well into the Cummings at Wildmere. This well is now producing, with two additional quad-lateral wells also drilled but not yet on production to date in the third quarter of 2016. Following the successful completion of the Wildmere Cummings program, Gear plans to drill six additional wells in Paradise Hill, two wells in Wilson Creek, and one exploration well for the remainder of 2016 for a total of twelve wells.

- Achieved record low operating costs in the second quarter of $13.44 per boe or a 12 per cent decrease from the first quarter. Operating costs have fallen as a result of continuous cost saving measures and the benefit of shutting in high operating cost wells. For the full year 2016, operating costs are expected to range from $14 to $16 per boe.

- Completed a bought deal financing with net proceeds of approximately $18.8 million through the issuance of 28.75 million Gear shares at a price of $0.70 per Gear share with proceeds used to reduce indebtedness.

- Decreased net debt by a total of $25.3 million ($18.8 million from the financing and an additional $6.5 million from cash flow) to end the quarter with a net debt balance of $34.2 million, inclusive of $14.8 million of convertible debentures. Concurrent with the closing of the Striker acquisition, Gear entered into a credit agreement for $50 million of senior secured revolving credit facilities.

- Ended the second quarter with a Liability Management Ratio ("LMR") in Alberta of 2.2. Gear expects its LMR to increase to approximately 2.6 following the Striker acquisition.

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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: Guidance estimates; planned follow-up wells; reduced operating costs; timing of capital development program; expected production; expectations of future commodity prices and differentials; number of wells to be drilled; expected ability to maintain financial flexibility incurred in low commodity price environment; and a number of other matters, including future results from operations and operating metrics; future costs, expenses and royalty rates; future interest costs; and future development, exploration, acquisition and development activities (including drilling plans) and related capital 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 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.

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; 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.

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, net debt, operating netback and corporate netback, 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. Operating netbacks are presented both before and after taking into account the effects of hedging and are calculated based on the amount of revenues received on a per unit of production basis after royalties and operating costs. Corporate netbacks are presented after taking into account the effects of hedging and are calculated based on the amount of revenues received on a per unit of production basis after royalties, operating costs, general and administrative expenses, interest and foreign exchange gain or loss. 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 Production Rates

Any references in this document to initial production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. 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 the Gear.

Drilling Locations

This press release discloses drilling locations relating to the assets acquired pursuant to the acquisition of Striker in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the independent reserves report prepared by GLJ Petroleum Consultants Ltd. relating to the assets of Striker effective as at December 31, 2015 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Of the 450 drilling locations relating to the Striker assets identified herein, 67.2 are proved locations, 79.4 are probable locations and 303.4 are unbooked locations. Unbooked locations have been identified by management of Gear as an estimation of multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production, pricing assumptions and reserves information. There is no certainty that Gear will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which Gear actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While the majority of unbooked locations are extensions or infills of the drilling patterns already recognized by the independent evaluator, other unbooked drilling locations are farther away from existing wells where management of Gear has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.