GEAR ENERGY

NEWS RELEASE

GEAR ENERGY LTD. ANNOUNCES SECOND QUARTER 2017 OPERATING RESULTS

CALGARY, ALBERTA (August 9, 2017) 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, 2017 are available for review on Gear's website at www.gearenergy.com and on www.sedar.com.

Financial Summary

(Cdn$ thousands, per boe amounts)	Three months ended			Six months ended	
	Jun 30, 2017	Jun 30, 2016	Mar 31, 2017	**Jun 30, 2017**	Jun 30, 2016
FINANCIAL					
Cash flow from operations [(1)]	**10,248**	8,333	8,729	**18,977**	12,317
Per weighted average basic share	**0.05**	0.10	0.05	**0.10**	0.14
Per weighted average diluted share	**0.05**	0.10	0.04	**0.09**	0.14
Cash flow from operating activities	**5,362**	5,066	12,245	**17,607**	8,622
Net income (loss)	**3,001**	(7,312)	2,986	**5,987**	(9,028)
Per weighted average basic share	**0.02**	(0.08)	0.02	**0.03**	(0.11)
Per weighted average diluted share	**0.01**	(0.08)	0.01	**0.03**	(0.11)
Capital expenditures	**6,161**	1,165	18,784	**24,945**	1,267
Net acquisitions [(2)]	**127**	26	(68)	**59**	(454)
Net debt outstanding [(1)]	**43,409**	34,200	46,745	**43,409**	34,200
Weighted average shares, basic (thousands)	**192,922**	86,117	192,840	**192,881**	85,800
Weighted average shares, diluted (thousands)	**208,971**	86,117	209,652	**209,074**	85,800
Shares outstanding, end of period (thousands)	**192,935**	114,234	192,915	**192,935**	114,234
OPERATING					
Production					
Heavy Oil (bbl/d)	**3,887**	4,358	3,739	**3,813**	4,275
Light and Medium Oil (bbl/d)	**1,412**	-	1,085	**1,249**	-
Natural gas liquids (bbl/d)	**322**	-	217	**270**	-
Natural gas (mcf/d)	**5,334**	1,070	5,197	**5,266**	1,265
Total (boe/d)	**6,510**	4,536	5,907	**6,210**	4,485
Average prices					
Heavy oil ($/bbl)	**44.72**	39.00	43.13	**43.94**	29.95
Light oil ($/bbl)	**59.64**	-	60.91	**60.19**	-
Natural gas liquids ($/bbl)	**28.11**	-	23.08	**26.10**	-
Natural gas ($/mcf)	**2.91**	1.20	3.00	**2.96**	1.39
Netback ($/boe)					
Commodity and other sales	**43.77**	37.75	41.98	**42.92**	29.10
Royalties	**(4.96)**	(2.96)	(3.97)	**(4.49)**	(2.30)
Operating costs	**(17.78)**	(13.44)	(16.28)	**(17.07)**	(14.38)
Operating netback [(1)]	**21.03**	21.34	21.73	**21.36**	12.41
Realized risk management gains (losses)	**(0.77)**	4.91	(1.24)	**(0.99)**	8.76
General and administrative	**(2.13)**	(3.28)	(3.00)	**(2.54)**	(3.47)
Transaction costs	**-**	(1.22)	-	**-**	(0.62)
Interest	**(0.83)**	(1.56)	(0.88)	**(0.85)**	(1.54)
Other	**-**	-	(0.19)	**(0.09)**	(0.59)
Corporate netback [(1)]	**17.30**	20.19	16.42	**16.89**	14.95
TRADING STATISTICS					
($ based on intra-day trading)					
High	**0.94**	0.82	1.26	**1.26**	0.82
Low	**0.60**	0.46	0.76	**0.60**	0.25
Close	**0.74**	0.61	0.90	**0.74**	0.61
Average daily volume (thousands)	**253**	272	553	**403**	206

(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*" in Gear's MD&A.

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

QUARTERLY HIGHLIGHTS

- Realized quarterly cash flow from operations of $10.2 million, a 17 per cent increase from the first quarter cash flow of $8.7 million and the strongest quarterly cash flow Gear has realized in eight quarters. The increase in quarterly cash flow is primarily due to a 10 per cent increase in sales volumes to 6,510 boe per day and a slight increase in realized revenues per boe.

- Production through the second quarter was supported by the following:

  - **Wildmere**: Five horizontal multi-lateral heavy wells have been drilled to date in 2017, three drilled in the first quarter and two drilled during the second quarter. Two of the wells were on production throughout the second quarter, contributing approximately 235 bbls per day to the quarterly total. The other three wells are expected to come on production in the third quarter

  - **Wilson Creek**: Three Basal Belly River light oil wells have been drilled to date in 2017, all during the first quarter. In addition one well that was drilled in 2016 was fracture stimulated and brought on production in the first quarter. In total the four wells contributed over 700 boe per day over the second quarter. Several of the wells are continuing to be optimized.

  - **Paradise Hill**: Four horizontal heavy oil wells were drilled in the first half of 2017 with two of those wells drilled in the first quarter and two more drilled in the second quarter. Two of the wells produced throughout the second quarter contributing approximately 165 bbls per day to the quarterly total. Subsequent to quarter end, seven more wells have been successfully drilled and are expected to be brought on production through the third quarter.

  - **Hoosier**: One horizontal Success well has been drilled and brought on production to date in 2017. The well was drilled in the first quarter with production coming on early in the second quarter. The well contributed an average of 70 boe per day to the second quarter total. Further optimization efforts are underway.

- Realized a corporate netback of $17.30 per boe, a five per cent improvement over the first quarter of 2017. The improved netback is primarily the result of higher pricing and lower G&A costs, offset by higher operating costs.

- Operating costs for the second quarter increased to $17.78 per boe as a result of seasonal costs associated with trucking, production, and maintenance as well as road and lease repairs. Second quarter costs were also impacted by the remediation of two isolated spill events that are not expected to be recurring expenses. For the third and fourth quarters, operating costs are expected to decline to a more normalized level.

- In May 2017, Gear successfully increased its borrowing base for its credit facilities from $50 million to $55 million and extended the maturity date to May 30, 2019. Inclusive of the outstanding convertible debentures, Gear's total borrowing capacity is currently $69 million. Net debt through the quarter decreased by $3.3 million to $43.4 million. For the second quarter, net debt to annualized cash flow was 1.1 times.

OUTLOOK

- As a result of strong production results to date, Gear is revising volume expectations upwards while maintaining the existing $45 million capital plan. First half production averaged just over 6,200 boe per day and with continued strong results from the ongoing drilling program, the second half production is predicted to be approximately 7,000 boe per day, yielding an annual average of 6,600 boe per day with a strong 2017 exit. Current expectations are that Gear will deliver approximately 18 per cent production growth from the fourth quarter of 2016 to the fourth quarter of 2017 while investing close to or within annual cash flow at current prices. The 2017 drilling program is now forecast to include a total of 34 wells (33 net), with the remaining activity focused in the core areas of Paradise Hill, Wildmere, Hoosier and Wilson Creek. At current strip pricing this program is expected to yield a net debt to cash flow for 2017 at or below 1.0 times.

	Revised 2017 Guidance	**Previous 2017 Guidance**	**H1 2017 YTD Actuals**
Production (boe/d)	6,600	6,400	6,210
Per cent heavy oil (%)	63	62	61
Per cent light/medium oil & NGLs (%)	23	24	24
Royalty rate (%)	10	10	10.5
Operating costs ($/boe)	16.50	15.50	17.07
General and administrative expense ($/boe)	2.20	2.15	2.54
Interest expense ($/boe)	0.80	0.70	0.85
Capital and abandonment expenditures ($ millions)	45	45	25.7

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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: drilling, completion and optimization plans for Gear's assets; third quarter 2017 production; 2017 guidance on production, product mix, royalty rate, operating costs, general and administrative expense, interest expense, and capital and abandonment expenditures; fourth quarter 2017 production growth; the expectation that the 2017 capital expenditure program will be funded solely from cash flow from operations; the expected 2017 net debt to cash flow ratio; and third and fourth quarter operating costs normalizing.

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; 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, 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 and Other Production Rates

Any references in this document to initial production rates or production rates of new wells over a period of time 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.