NEWS RELEASE

GEAR ENERGY LTD. ANNOUNCES FOURTH QUARTER AND FULL YEAR 2016 OPERATING RESULTS

CALGARY, ALBERTA (February 15, 2017) Gear Energy Ltd. ("Gear" or the "Company") (TSX:GXE) is pleased to provide the following fourth quarter and year-end operating update to shareholders. For more information in conjunction with this release, please refer to Gear's Annual Audited Financial Statements, Management's Discussion and Analysis ("MD&A") for the years ended December 31, 2016 and 2015, and 2016 Reserves Press Release titled "*Gear Energy Ltd. Announces Year-End Reserves*", all of which are available for review on Gear's website at www.gearenergy.com and on www.sedar.com.

Financial Summary

	Three months ended			Twelve months ended	
(Cdn$ thousands, except per share, share and per boe amounts)	**Dec 31, 2016**	Dec 31, 2015	Sep 30, 2016	**Dec 31, 2016**	Dec 31, 2015
FINANCIAL					
Cash flow from operations [1]	**9,407**	4,682	6,864	**28,591**	39,208
Per weighted average diluted share	**0.05**	0.06	0.04	**0.21**	0.54
Cash flow from operating activities	**6,888**	3,801	9,793	**25,306**	40,545
Per weighted average diluted share	**0.04**	0.05	0.06	**0.19**	0.56
Net loss	**(12,191)**	(26,501)	(2,470)	**(23,686)**	(96,519)
Per weighted average diluted share	**(0.07)**	(0.35)	(0.01)	**(0.18)**	(1.34)
Capital expenditures	**6,067**	3,993	7,034	**14,368**	14,883
Net acquisitions [2]	**(74)**	-	58,141	**57,612**	(686)
Net debt outstanding [1]	**36,967**	65,972	41,791	**36,967**	65,972
Weighted average shares, basic and diluted (thousands)	**191,134**	75,918	168,926	**133,172**	72,103
Shares outstanding, end of period (thousands)	**192,568**	85,484	190,472	**192,568**	85,484
OPERATING					
Production					
Heavy Oil (bbl/d)	**3,997**	4,819	3,854	**4,099**	5,513
Light and Medium Oil (bbl/d)	**989**	-	716	**428**	-
Natural gas liquids (bbl/d)	**308**	-	145	**114**	-
Natural gas (mcf/d)	**5,456**	1,176	4,232	**3,064**	942
Total (boe/d)	**6,203**	5,015	5,420	**5,152**	5,670
Average prices					
Heavy oil ($/bbl)	**41.21**	31.68	37.74	**34.74**	39.47
Light oil ($/bbl)	**57.98**	-	51.60	**55.30**	-
Natural gas liquids ($/bbl)	**24.16**	-	20.04	**22.89**	-
Natural gas ($/mcf)	**3.07**	2.10	2.43	**2.50**	1.61
Netback ($/boe)					
Commodity and other sales	**39.70**	30.93	36.08	**34.15**	38.84
Royalties	**(3.76)**	(4.72)	(3.97)	**(3.19)**	(5.52)
Operating costs	**(16.25)**	(16.63)	(16.33)	**(15.46)**	(17.72)
Operating netback [1]	**19.69**	9.58	15.78	**15.50**	15.60
Realized risk management gains	**0.24**	3.86	3.03	**4.67**	7.34
General and administrative	**(2.59)**	(2.00)	(2.13)	**(2.85)**	(2.84)
Transaction costs	**-**	-	(1.97)	**(0.79)**	-
Interest	**(0.85)**	(1.28)	(0.94)	**(1.17)**	(1.36)
Other	**-**	(0.06)	-	**(0.25)**	0.20
Corporate netback [1]	**16.49**	10.10	13.77	**15.11**	18.94
TRADING STATISTICS					
($ based on intra-day trading)					
High	**1.18**	1.10	0.78	**1.18**	2.62
Low	**0.68**	0.40	0.54	**0.25**	0.40
Close	**1.18**	0.53	0.75	**1.18**	0.53
Average daily volume (thousands)	**647**	157	492	**389**	172

(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 $9.4 million, a 36 per cent increase from the third quarter cash flow of $6.9 million. The fourth quarter was the first quarter to see three full months of cash flow from the acquisition of Striker Exploration Corp. ("Striker Acquisition"). In addition, sales production for the fourth quarter averaged 6,203 boe per day compared to 5,420 boe per day in the third quarter.

- Realized an operating netback of $19.69 per boe in the fourth quarter, an increase of $3.91 per boe or 20 per cent from the third quarter as a result of higher pricing and lower costs.

- Gear achieved record low interest costs of $0.85 per boe as a result of an increase in production and low borrowings.

- Total net debt at year-end was $37.0 million including $31.2 million drawn on Gear's $50 million syndicated bank facility, $14.0 million of convertible debentures and $8.2 million of positive working capital. Net debt decreased by $4.8 million from the third quarter primarily as a result of cash flow exceeding capital spending for the fourth quarter and $0.8 million of convertible debenture conversions to common shares. Net debt to annualized fourth quarter cash flow was 1.0 times and Gear is forecasting this to fall further in 2017 as balance sheet strength continues to be an area of focus.

- Amended Gear's borrowing facility to provide for a current maturity date of May 31, 2018. No changes were made to Gear's $50 million borrowing base.

- For details on Gear's 2016 Reserves, please see the Press Release titled "*Gear Energy Ltd. Announces Year-End Reserves*".

ANNUAL HIGHLIGHTS

- Executed a 100% successful development capital program throughout 2016 that included the drilling of 13 horizontal oil locations from Wilson Creek, Alberta to Paradise Hill, Saskatchewan.

- Delivered record low annual operating costs of $15.46 per boe (including transportation), record low annual royalty percentage of 9.3 per cent, record low interest costs of $1.17 per boe and low G&A costs of $2.85 per boe.

- Closed the Striker Acquisition successfully on July 27, 2016.

- Completed a successful equity financing in June of 2016 issuing 28.75 million common shares for gross proceeds of approximately $20 million including $3.2 million of insider participation.

- Reduced net debt by 44 per cent over the year, lowering the quarterly annualized net debt to cash flow ratio from 3.6 times in the fourth quarter of 2015 to 1.0 times in the fourth quarter of 2016.

- Hedged approximately 50 per cent of after-royalty production volume for the full year 2017 through a variety of fixed price swaps and collars at a weighted average floor protection price for WTI of CAD$60.57 per barrel (US$45.43, assuming a $0.75 Cdn/US FX) and a weighted average ceiling price for WTI of CAD$69.84 per barrel (US$52.38, assuming a $0.75 Cdn/US FX). For 2016, Gear generated $8.8 million in realized cash hedging gains compared to $15.2 million in realized cash hedging gains for 2015.

- Exited the year with a management estimated inventory of over 480 potential oil drilling locations.

Wilson Creek Basal Belly River

- In 2016, Gear drilled two Basal Belly River light oil wells into the new core area of Wilson Creek; 9-19-42-4W5 which was completed in late 2016 and 16-33-42-4W5 which was completed in early 2017. The results to date on both wells have been encouraging.

  102/9-19-42-4W5
  To date the well has been on pump for a total of 51 days with the last two weeks at an average oil rate of approximately 170 barrels per day (215 boe per day). The well continues to be optimized as it currently has high bottom hole pressure with significant fluid above the pump.

  100/16-33-42-4W5
  After a successful fracture stimulation the well was tested for 11 days, recovering 75 per cent of load water and ending the test flowing back at 4m3/hour of fluid at a 50 per cent oil cut, or approximately 300 barrels per day. The well has now been shut in for a pressure test and will be put on pump next week.

Based on this early success, Gear has continued the drilling program in Wilson Creek, with the successful drilling of two more Basal Belly River wells in Wilson Creek at 16-18-42-4W5 and 8-19-42-4W5. The rig is currently on location at the 15-32-42-4W5 well. Gear plans to drill two more Basal Belly River wells after break-up for a total of five through 2017.

OUTLOOK

- Through 2017 to date, Gear has successfully drilled two quad lateral unlined horizontal wells into the Wildmere Cummings play and two Basal Belly River light oil horizontal wells in Wilson Creek. Approximately nine more wells are planned to be drilled in the first quarter including two wells in Hoosier, Saskatchewan into the Success formation. A total of 37 net wells are planned for the full year 2017.

- Based on forward pricing as of the date of this release, the full $45 million development capital program, inclusive of abandonment expenditures, is forecast to be funded solely through generated cash flow from operations. The 2017 net debt to cash flow is expected to be approximately 0.7 times.

GEAR ENERGY LTD.
BALANCE SHEETS (unaudited)
As at December 31

(Cdn$ thousands)		2016		2015
ASSETS				
Current assets				
Accounts receivable	$	9,526	$	5,872
Prepaid expenses		2,774		2,101
Inventory		5,723		3,440
Risk management contracts		-		9,173
		18,023		20,586
Deferred income tax asset		20,589		26,243
Property, plant and equipment		242,837		178,905
Total assets	$	281,449	$	225,734
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	9,827	$	6,860
Risk management contracts		7,305		-
Conversion approval option		-		1,800
Debt		-		55,725
Flow-through share liability		135		-
		17,267		64,385
Debt		31,163		-
Convertible debentures		11,973		12,230
Decommissioning liability		78,814		54,959
Total liabilities		139,217		131,574
SHAREHOLDERS' EQUITY				
Share capital		308,900		241,535
Warrants		335		-
Equity component of convertible debentures		2,649		-
Contributed surplus		13,786		12,377
Deficit		(183,438)		(159,752)
Total shareholders' equity		142,232		94,160
Total liabilities and shareholders' equity	$	281,449	$	225,734

GEAR ENERGY LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)
For the years ended December 31

(Cdn$ thousands)

	Share Capital	Warrants	Equity Component of Convertible Debentures	Contributed Surplus	Deficit	Total Equity
Balance, December 31, 2014	$ 231,067	$ -	$ -	$ 10,183	$ (63,233)	$ 178,017
Issued on offering of common shares	11,000	-	-	-	-	11,000
Share issue costs, net of deferred tax of $197	(532)	-	-	-	-	(532)
Share-based compensation	-	-	-	2,194	-	2,194
Net loss for the year	-	-	-	-	(96,519)	(96,519)
Balance at December 31, 2015	$ 241,535	$ -	$ -	$ 12,377	$ (159,752)	$ 94,160
Issued on offering of common shares	20,125	-	-	-	-	20,125
Issued as consideration on corporate acquisition	46,506	335	-	-	-	46,841
Issued on flow-through share Offering	859	-	-	-	-	859
Share issue costs, net of deferred tax of $357	(979)	-	-	-	-	(979)
Approval of conversion feature	-	-	2,800	-	-	2,800
Issued on conversion of convertible debentures	854	-	(151)	-	-	703
Share-based compensation	-	-	-	1,409	-	1,409
Net loss for the year	-	-	-	-	(23,686)	(23,686)
Balance at December 31, 2016	**$ 308,900**	**335**	**$ 2,649**	**$ 13,786**	**$ (183,438)**	**$ 142,232**

GEAR ENERGY LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (unaudited)

(Cdn$ thousands, except per share amounts)	Three Months Ended December 31 **2016**	2015	Twelve Months Ended December 31 **2016**	2015
REVENUE				
Sales of crude oil, natural gas and natural gas liquids	**$ 22,654**	$ 14,274	**$ 64,400**	$ 80,374
Royalties	**(2,144)**	(2,178)	**(6,006)**	(11,415)
	20,510	12,096	**58,394**	68,959
(Loss) gain on risk management contracts	**(5,447)**	7,761	**(7,677)**	10,662
	15,063	19,857	**50,717**	79,621
EXPENSES				
Operating	**9,275**	7,672	**29,156**	36,671
General and administrative	**1,479**	923	**5,378**	5,882
Transaction costs	**-**	-	**1,485**	-
Share-based compensation	**497**	518	**1,409**	2,194
Interest and financing charges	**484**	592	**2,209**	2,815
Depletion, depreciation and amortization	**9,052**	8,564	**26,917**	40,399
Accretion	**461**	325	**1,660**	1,508
Impairment	**-**	10,840	**-**	96,660
Drilling commitments	**-**	-	**480**	-
Loss on conversion approval option	**-**	-	**1,000**	-
Gain on asset disposition	**-**	(15)	**(1,300)**	(15)
Loss (gain) on foreign exchange	**1**	28	**4**	(429)
	21,249	29,447	**68,398**	185,685
Deferred tax (expense) recovery	**(6,005)**	(16,911)	**(6,005)**	9,545
Net loss and comprehensive loss	**$ (12,191)**	$ (26,501)	**$ (23,686)**	$ (96,519)
Net loss per share, basic and diluted	**$ (0.07)**	$ (0.35)	**$ (0.18)**	$ (1.34)

GEAR ENERGY LTD.
STATEMENTS OF CASH FLOWS (unaudited)

(Cdn$ thousands)	Three Months Ended December 31 **2016**	2015	Twelve Months Ended December 31 **2016**	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	**$ (12,191)**	$ (26,501)	**$ (23,686)**	$ (96,519)
Add items not involving cash:				
Unrealized loss (gain) on risk management contracts	**5,584**	(5,980)	**16,478**	4,517
Share-based compensation	**497**	518	**1,409**	2,194
Bad debt (recovery) expense	**(1)**	20	**108**	9
Accretion	**461**	325	**1,660**	1,508
Depletion, depreciation and amortization	**9,052**	8,564	**26,917**	40,399
Impairment	**-**	10,840	**-**	96,660
Gain on asset disposition	**-**	(15)	**(1,300)**	(15)
Loss on conversion approval option	**-**	-	**1,000**	-
Deferred tax expense (recovery)	**6,005**	16,911	**6,005**	(9,545)
Decommissioning liabilities settled	**(210)**	(650)	**(1,853)**	(1,383)
Change in non-cash working capital	**(2,309)**	(231)	**(1,432)**	2,720
	6,888	3,801	**25,306**	40,545
CASH FLOW FROM FINANCING ACTIVITIES				
Repayments of debt under credit facility	**(2,372)**	(23,830)	**(24,562)**	(43,175)
Repayment of debt assumed on corporate acquisition	**-**	-	**(8,393)**	-
Issuance of debentures, net of issue costs	**-**	13,990	**5**	13,990
Issuance of share capital, net of share issue costs	**981**	10,271	**19,789**	10,271
	1,391	431	**(13,161)**	(18,914)
CASH FLOW USED IN INVESTING ACTIVITIES				
Property, plant and equipment expenditures	**(6,067)**	(3,993)	**(14,368)**	(14,883)
Acquisition of petroleum and natural gas properties	**(103)**	-	**(220)**	458
Disposition of petroleum and natural gas properties	**285**	14	**1,087**	241
Change in non-cash working capital	**388**	(253)	**1,356**	(7,447)
	(5,497)	(4,232)	**(12,145)**	(21,631)
INCREASE IN CASH AND CASH EQUIVALENTS	**-**	-	**-**	-
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**-**	-	**-**	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ -**	$ -	**$ -**	$ -

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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 Wilson Creek assets; 2017 capital expenditure plans; the expectation that the 2017 capital expenditure program will be funded solely from cash flow from operations; and the expected 2017 net debt to cash flow ratio.

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 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. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for Gear.

Drilling Locations

This press release discloses drilling locations 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. effective as at December 31, 2016 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 approximate 480 drilling locations identified herein, 74 are proved locations, 79 are probable locations and the remainder 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.