



## **GEAR ENERGY LTD. ANNOUNCES RECORD PRODUCTION AND PROVIDES OPERATIONAL UPDATE**

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CALGARY, ALBERTA, January 14, 2014 /Marketwired/ - Gear Energy Ltd. ("Gear") (TSX: GXE) is pleased to announce the following operational updates:

- Gear achieved record production of approximately 4,600 boe/d in the fourth quarter of 2013, a significant increase from third quarter volumes of 3,940 boe/d.
- December average production came in at the upper end of Gear's 2013 guidance at approximately 5,000 boe/d and liquids weighting increased to 95 per cent as a result of new oil production. Gear's field operations were able to successfully deliver these volumes despite severe winter weather which caused major challenges to the transportation of oil by truck and by rail.
- Drilling operations for 2013 terminated on December 16 and have since resumed in 2014 with two rigs active as of January 7. One rig is drilling the first well of a five well horizontal pad in Maidstone, following up on a successful nine well program in 2013 that helped grow area production from zero to 650 boe/d. The second rig is actively drilling vertical wells targeting pool extension and low risk exploration opportunities. Field activities are underway to accomplish Gear's previously announced \$70 million capital budget and 55 net well drilling program for 2014.
- Heavy oil prices continued to be volatile through 2013, primarily due to North American pipeline and refinery constraints. Fourth quarter 2013 differentials were approximately US\$32 per barrel. With infrastructure improvements, the price outlook has improved dramatically for 2014 with the differential currently trading at approximately US\$19 per barrel.
- Gear expects to release fourth quarter and year-end results by early March 2014.

### **About Gear Energy Ltd.**

Gear is a Canadian exploration and production company with predominantly horizontal heavy oil production in east central Alberta and west central Saskatchewan. The current and ongoing business plan is to continue focusing on being a low cost heavy oil operator, drilling economic wells and acquiring assets on an accretive basis.

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**ADVISORY ON FORWARD-LOOKING 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", "continue", "estimate", "may", "will", "should", "believe", "plans", "cautions" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the forgoing, this press release contains statements concerning the planned horizontal pad in Maidstone, the planned field activities at Maidstone to accomplish Gear's previously announced capital budget and drilling plan for 2014, the 2014 heavy oil price outlook and the expected release of Gear's fourth quarter and year-end results, among others.*

*Forward-looking statements or information are based on a number of material factors, expectations or assumptions of Gear which have been used to develop such statements and information but which may prove to be incorrect. Although Gear believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them because Gear can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. In particular, in addition to other factors and assumptions which may be identified herein, no assurances can be given respecting: whether Gear's exploration and development activities respecting the Maidstone project will be successful or that material volumes of petroleum and natural gas reserves will be encountered, or if encountered can be produced on a commercial basis; the ultimate size and scope of any hydrocarbon bearing formations at the Maidstone project; that additional drilling operations in the Maidstone project will be successful such that further development activities in this area is warranted; that Gear's efforts to raise additional capital will be successful; that Gear will continue to conduct its operations in a manner consistent with past operations; results from drilling and development activities will be consistent with past operations; the accuracy of the estimates of Gear's reserve volumes; the general stability of the economic and political environment in which Gear operates; drilling results; field production rates and decline rates; the general continuance of current industry conditions; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Gear to secure adequate product transportation; future commodity prices and heavy oil differentials; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Gear operates; and the ability of Gear to successfully market its oil and natural gas products.*

*Further, events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of Gear, including, without limitation: changes in commodity prices and heavy oil differentials; 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, unfavourable 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 disclosure documents. Additional information regarding some of these risk factors may be found under "Risk Factors" in Gear's (final) long form prospectus dated November 13, 2013. The reader is cautioned not to place undue reliance on this forward-looking information. The forward-looking statements contained in this press release are made as of the date hereof and Gear undertakes no obligations to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.*

**ADVISORY ON USE OF "BOEs":** *"BOEs" may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 mcf: 1 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. 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 on a 6:1 basis may be misleading as an indication of value.*