GEAR ENERGY LTD. ANNOUNCES 2014 OPERATIONAL UPDATE AND REVISED 2015 GUIDANCE

CALGARY, ALBERTA, January 20, 2015 /Marketwired/ - Gear Energy Ltd. ("Gear") (TSX: GXE) announces operational highlights for the fourth quarter of 2014 and revised capital guidance for the first half of 2015.

2014 Operational update

- Gear achieved record field production of approximately 7,275 boe/d in the fourth quarter of 2014. Estimated sales production for the quarter came in slightly lower at 7,000 boe/d due to rail car availability and pipeline apportionments. Fourth quarter sales production is a 15 per cent increase per debt adjusted share from the fourth quarter of 2013. Annual 2014 production is estimated at 6,030 boe/d, representing 26 per cent growth per debt adjusted share over the previous year. During the quarter Gear shut-in 150 bbl/d of oil production that was considered uneconomic as a result of declining prices.
- Gear drilled 19 (17.5 net) wells during the quarter. Of the total, three (1.5 net) single leg wells that were drilled in the Morgan area significantly outperformed our expectations producing an average of 150 bbl/d of oil per well for the first 60 days. Gear has since followed up with two dual lateral horizontal wells in Morgan that will be brought on production in the first quarter. At Paradise Hill Gear drilled two horizontal wells that averaged over 100 bbl/d of oil per well during the first 30 days within a newly discovered oil pool that we believe covers more than four net sections.
- In our continuing effort to maximize the value of our production, Gear completed two facility projects in the fourth quarter designed to lower future operating costs
- Gear expects to release detailed fourth quarter and year-end 2014 results in mid-March 2015.

2015 Revised Guidance

Given the current weakness and uncertainty in the future price of oil, Gear has adopted a conservative approach to its capital program for the first half of 2015. At this time, the future price of oil is much higher than the current spot price based on forward strip pricing. We believe that returns on our existing inventory of drilling locations can be materially improved by delaying investment until we see the spot price of oil improve along with a significant reduction in service costs.

For the short term, our capital program will be limited to $3 million to focus on completing and bringing on production two dual lateral wells at Morgan and performing selective re-completion and optimization projects. Gear plans to dedicate excess cash flow to pay down net debt by an estimated $20 million during the first half of 2015. We will also shut-in an additional 350 bbl/d of high cost production resulting in increased net cash flow. The revised production estimate for the first half of 2015 is 6,400 boe/d.

Over the past six months the outlook for oil prices has fallen dramatically. On November 11, 2014, Gear announced its full year 2015 capital budget of $95 to $105 million. This budget was based upon a WTI price of US$80/bbl and a Gear realized price of CAD$65/boe. Two months later, Gear's estimated realized price has been reduced to under $35/boe. We expect that the current depressed prices across the industry will go a long way to re-balance supply and demand and ultimately bring the price of oil back to a more sustainable level. Fortunately, Gear has no material land expiries or drilling commitments and by focusing on reducing net debt will have the ability to remain flexible in planning capital spending to maximize value for the long term. In view of the reduced expenditures, shareholders and readers should no longer rely on the previously published 2015 guidance.

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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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: drilling results; field production rates and decline rates; the general continuance of current or future 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; limited, unfavourable or a lack of access to capital markets; 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 Annual Information Form dated March 21, 2014, which is available at www.sedar.com. 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.

Any references in this press release to test rates, flow rates, initial and/or 30 or 60 day production rates are useful in confirming the presence of hydrocarbons, however, such rates are not necessarily indicative of long-term performance or of ultimate recovery. Such rates may also include recovered "load" fluids used in well completion stimulation. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for Gear.

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.*