GEAR ENERGY

NEWS RELEASE

GEAR ENERGY LTD. ANNOUNCES FIRST QUARTER 2017 OPERATING RESULTS

CALGARY, ALBERTA (May 10, 2017) Gear Energy Ltd. ("Gear" or the "Company") (TSX:GXE) is pleased to provide the following first quarter operating update to shareholders. Gear's Interim Financial Statements and related Management's Discussion and Analysis ("MD&A") for the period ended March 31, 2017 are available for review on Gear's website at www.gearenergy.com and on www.sedar.com.

		Three months ended	
(Cdn$ thousands, except per boe amounts)	**March 31, 2017**	March 31, 2016	Dec 31, 2016
FINANCIAL			
Cash flow from operations [(1)]	**8,729**	3,985	9,407
Per weighted average basic share	**0.05**	0.05	0.05
Per weighted average diluted share	**0.04**	0.05	0.05
Cash flow from operating activities	**12,245**	3,556	6,888
Per weighted average basic share	**0.06**	0.04	0.04
Per weighted average diluted share	**0.06**	0.04	0.04
Net income (loss)	**2,986**	(1,716)	(12,191)
Per weighted average basic share	**0.02**	(0.02)	(0.07)
Per weighted average diluted share	**0.01**	(0.02)	(0.07)
Capital expenditures	**18,784**	101	6,067
Net acquisitions [(2)]	**(68)**	(480)	(74)
Net debt outstanding [(1)]	**46,745**	59,550	36,967
Share outstanding, weighted average, basic (thousands)	**192,840**	85,484	191,134
Share outstanding, weighted average, diluted (thousands)	**209,652**	85,484	191,134
Shares outstanding, end of period	**192,915**	85,484	192,568
OPERATING			
Production			
Heavy Oil (bbl/d)	**3,739**	4,192	3,997
Light and Medium Oil (bbl/d)	**1,085**	-	989
Natural gas liquids (bbl/d)	**217**	-	308
Natural gas (mcf/d)	**5,197**	1,459	5,456
Total (boe/d)	**5,907**	4,435	6,203
Average prices			
Heavy oil ($/bbl)	**43.13**	20.90	41.21
Light oil ($/bbl)	**60.91**	-	57.98
Natural gas liquids ($/bbl)	**23.08**	-	24.16
Natural gas ($/mcf)	**3.00**	1.52	3.07
Netback ($/boe)			
Commodity and other sales	**41.98**	20.25	39.70
Royalties	**(3.97)**	(1.63)	(3.76)
Operating costs	**(16.28)**	(15.34)	(16.25)
Operating netback [(1)]	**21.73**	3.28	19.69
Realized risk management gains (losses)	**(1.24)**	12.71	0.24
General and administrative	**(3.00)**	(3.67)	(2.59)
Interest	**(0.88)**	(1.53)	(0.85)
Other	**(0.19)**	(1.19)	-
Corporate netback [(1)]	**16.42**	9.60	16.49
TRADING STATISTICS			
($ based on intra-day trading)			
High	**1.26**	0.61	1.18
Low	**0.76**	0.25	0.68
Close	**0.90**	0.54	1.18
Average daily volume (thousands)	**553**	139	647

(1) Cash flow from operations, net debt, operating netback and corporate netback are non-GAAP measures and are reconciled to the nearest GAAP measures 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 $8.7 million, a seven per cent decrease from the fourth quarter cash flow of $9.4 million. The decrease in cash flow is primarily due to a decrease in sales volumes of 296 boe per day to 5,907 boe per day as a result of temporary shut-in volumes to allow for drilling and an oil inventory build due to temporary surface access and pipeline constraints. First quarter field production was approximately 6,100 boe per day. Current field production is estimated to be 6,350 boe per day, with an additional estimate of 300 boe per day behind pipe to be brought on production as field conditions improve.

- Realized an operating netback of $21.73 per boe in the first quarter, an increase of $2.04 per boe or 10 per cent from the fourth quarter as a result of higher pricing. Corporate netback was relatively unchanged from the fourth quarter at $16.42 per boe.

- In the first quarter, Gear executed a very active drilling program with the investment of $18.8 million of capital. Through the quarter there was noticeable upward pressure on service costs and some availability issues, specifically with respect to the fracture completion of wells in Wilson Creek and Hoosier. Encouraging initial production results in these areas offset cost pressures ensuring that economic returns are being achieved.

- Drilled and completed 10 gross (9.8 net) wells with a 90 per cent success rate, including three wells in Wilson Creek, three wells in Wildmere Cummings, two wells in Paradise Hill, and two wells that were drilled for the first time in a new area called Hoosier. One additional well was completed in the first quarter in Wilson Creek that had been drilled in the previous quarter.

    - Including two wells drilled in the fourth quarter, Gear has five new full section Basal Belly River horizontal wells of which four are currently producing in Wilson Creek with all wells exceeding our internal type curve. Production from the two original wells in Wilson Creek drilled in the fourth quarter of 2016 has averaged approximately 240 boe per day per well over the last two months of production. Two of the three new 2017 Wilson Creek wells came on production in April and are averaging initial, un-optimized rates of 225 boe per day per well. The final drill has been completed and flow tested but wet surface conditions delayed production until later in May.

    - Two of the three new Wildmere Cummings unlined multilateral wells are producing above expectations with an initial 30 day production rate of 185 barrels per day per well. The third well is currently awaiting pipeline tie-in and is expected to be brought on production in the second quarter.

    - The two new Paradise Hill wells are producing as expected with 15 further wells to be drilled after break-up in 2017. The McLaren formation in Paradise Hill continues to perform strongly, with the original three Gear horizontal wells drilled in 2014 and 2015 already producing a cumulative average of 55,000 barrels of oil each, matching the original estimate of total recoverable oil. Presently, the three wells continue to produce oil at average rates of greater than 40 barrels per day.

    - In Hoosier, Gear has amassed a large land position in this new core area. The first Hoosier well has just come on production at encouraging initial rates and Gear expects to continue drilling in this area later in 2017. The second Hoosier well experienced an underground blowout prior to reaching the target reservoir. The well was safely and effectively contained but ultimately had to be abandoned. All associated expenditures are expected to be fully insured. Furthermore, the incident does not sterilize any future potential inventory in the area.

- Net debt increased $9.8 million in the first quarter from year-end as a result of an active first quarter drilling program. Gear expects its capital and abandonment expenditures to approximate cash flow for the full year 2017. With production volumes increasing and cash flow exceeding capital, net debt to cash flow is expected to decline for the remainder of 2017. Furthermore, at current strip pricing, net debt to cash flow for 2017 is forecasted to remain below 1.0 times. Gear is currently undergoing its semi-annual borrowing base review and preliminary indications are that Gear’s credit facilities will increase from $50 to $55 million. The borrowing base is still subject to final credit approval from Gear’s syndicated lenders and will not be finalized until later in May.

- Gear continues to actively maintain a hedging program with 50 per cent of 2017 production hedged and 20 per cent of 2018 internally forecasted production hedged.

- As noted in Gear’s 2017 Management Information Circular for the annual shareholder meeting to be held today at 3:00 pm (Calgary time), two of Gear’s directors have decided not to stand for re-election. Peter Verburg joined Gear’s board in 2009 and has provided valuable counsel and direction to Gear over the years. Neil Roszell joined Gear’s board in 2016 following the Striker Exploration Corp. (“Striker”) acquisition and has been a valuable contributor to the transition of Striker’s assets to Gear. Gear sincerely thanks Messrs Verburg and Roszell and wish both the best in their future endeavors.

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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; expectation that results will offset cost pressures and help ensure economic returns; 2017 on production dates for a Wilson Creek and Wildmere Cummings well; 2017 wells to be drilled in Paradise Hill; the expectation that expenditures associated with an abandoned well will be fully insured; the non-sterilization of future Hoosier drilling inventory locations; 2017 capital expenditure plans; 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 the final credit approval of Gear's borrowing base.

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 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. In addition, Gear has disclosed the cumulative production of wells on certain Gear properties; 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.