



## NEWS RELEASE

### GEAR ENERGY LTD. ANNOUNCES FOURTH QUARTER AND YEAR-END 2014 RESULTS

CALGARY, ALBERTA (March 10, 2015) 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, 2014 and 2013, and 2014 Reserves Press Release titled “*Gear Energy Ltd. Announces 30 Per Cent Increase in Year-End Reserves and 312 Per Cent Replacement of 2014 Production*”, all of which are available for review on Gear’s website at [www.gearenergy.com](http://www.gearenergy.com) and on [www.sedar.com](http://www.sedar.com).

#### Financial Summary

(Cdn\$ thousands, except per boe amounts)	Three months ended			Twelve months ended	
	Dec 31, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2014	Dec 31, 2013
<b>FINANCIAL</b>					
Cash flow from operations <sup>(1)</sup>	<b>20,602</b>	8,309	22,580	<b>76,044</b>	35,103
Per weighted average diluted share	<b>0.29</b>	0.15	0.31	<b>1.12</b>	0.65
Cash flow from operating activities	<b>13,425</b>	7,765	21,428	<b>65,922</b>	39,511
Per weighted average diluted share	<b>0.19</b>	0.14	0.30	<b>0.97</b>	0.73
Net (loss) income	<b>(29,999)</b>	(539)	8,914	<b>(13,080)</b>	(1,059)
Per weighted average diluted share	<b>(0.42)</b>	(0.01)	0.12	<b>(0.20)</b>	(0.02)
Capital expenditures	<b>20,969</b>	17,440	27,314	<b>84,580</b>	53,559
Net acquisitions <sup>(2)</sup>	<b>(1,027)</b>	(29)	1,451	<b>79,861</b>	(92)
Net debt outstanding <sup>(1)</sup>	<b>98,404</b>	67,148	94,334	<b>98,404</b>	67,148
Shares outstanding, weighted average, basic	<b>70,817</b>	53,956	70,798	<b>66,706</b>	53,932
Shares outstanding, weighted average, diluted	<b>71,485</b>	54,392	72,314	<b>67,840</b>	54,158
<b>OPERATING</b>					
Production					
Oil and liquids (bbl/d)	<b>6,836</b>	4,369	6,529	<b>5,846</b>	3,786
Natural gas (mcf/d)	<b>991</b>	1,641	1,101	<b>1,046</b>	1,757
Total (boe/d)	<b>7,001</b>	4,642	6,712	<b>6,020</b>	4,079
Average prices					
Oil and liquids (\$/bbl)	<b>62.39</b>	62.91	79.72	<b>76.15</b>	69.18
Natural gas (\$/mcf)	<b>3.57</b>	3.12	3.89	<b>4.30</b>	3.11
Oil equivalent (\$/boe)	<b>61.42</b>	60.31	78.17	<b>74.69</b>	65.47
Netback (\$/boe)					
Commodity and other sales	<b>61.48</b>	60.37	78.40	<b>74.82</b>	65.55
Royalties	<b>11.02</b>	15.15	14.97	<b>13.83</b>	15.27
Operating costs	<b>19.94</b>	16.72	21.78	<b>20.96</b>	17.90
Operating netback (before hedging)	<b>30.52</b>	28.50	41.65	<b>40.03</b>	32.38
Realized risk management gains (losses)	<b>3.98</b>	(3.53)	(1.04)	<b>(0.99)</b>	(3.41)
Operating netback (after hedging)	<b>34.50</b>	24.97	40.61	<b>39.04</b>	28.80
General and administrative	<b>1.86</b>	4.31	3.20	<b>3.35</b>	3.94
Interest	<b>1.31</b>	1.24	1.16	<b>1.36</b>	1.46
Foreign exchange (gain) loss	<b>(0.63)</b>	-	(0.32)	<b>(0.26)</b>	-
Corporate netback	<b>31.96</b>	19.42	36.57	<b>34.59</b>	23.57
<b>TRADING STATISTICS</b>					
(\$ based on intra-day trading)					
High	<b>4.86</b>	3.55	6.35	<b>6.41</b>	3.55
Low	<b>1.96</b>	2.55	4.40	<b>1.96</b>	2.55
Close	<b>2.50</b>	3.23	4.71	<b>2.50</b>	3.23
Average daily volume (thousands)	<b>398</b>	374	197	<b>338</b>	374

(1) Cash flow from operations and net debt 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.

## HIGHLIGHTS

- Record sales production for the fourth quarter averaging 7,001 barrels of oil equivalent per day (“boe/d”), a 13 per cent increase per debt adjusted share over 4,642 boe/d in the fourth quarter of 2013. Annual production for 2014 was 6,020 boe/d, a 22 per cent increase per debt adjusted share over 2013. Volumes were slightly lower than estimated due to the shut-in of 150 boe/d of oil through the fourth quarter in response to the reduced pricing environment.
- Realized cash flow from operations of \$20.6 million, an 85 per cent increase per debt adjusted share from \$8.3 million in the fourth quarter of 2013. Annual cash flow from operations for 2014 was \$76 million, an 80 per cent increase per debt adjusted share over 2013. The strong growth in cash flow from operations was primarily the result of increased volumes, lower costs on risk management contracts and increased pricing.
- Fourth quarter operating costs, including transportation, were \$19.94 per boe, dropping eight per cent from the third quarter of 2014. This quarter includes the benefits of continued success in optimizing the higher cost assets acquired in April of 2014. Annual costs for 2014 came in at \$20.96 per boe. Guidance for 2015 includes further improvements in the field with costs of \$17.00 to \$19.00 per boe predicted for the first half of the year.
- Gear significantly increased lands prospective for heavy oil development through the acquisition completed in April 2014 as well as the investment of \$3.8 million at crown sales in Alberta and Saskatchewan. Current land holdings are 89,000 acres undeveloped and 113,000 acres developed, increased from 2013 amounts by 49 and 18 per cent respectively.
- Realized heavy oil prices decreased slightly from \$62.91 per bbl in the fourth quarter of 2013 to \$62.39 per bbl in the fourth quarter of 2014 as a result of materially lower WTI pricing, offset by narrower WCS heavy oil differentials and a weaker Canadian dollar. Starting in November 2014, global crude oil prices decreased significantly as a result of increased supply and softening demand. Based on the current forward curve, Gear’s realized heavy oil price for the first and second quarter of 2015 is expected to range from \$37 per bbl to \$43 per bbl.
- Effective November 11, 2014, Gear entered into a syndicated demand facility with three banks and increased the borrowing limit from \$100 million to \$130 million. Year-end net debt was \$98.4 million or 1.2 times annualized fourth quarter cash flow. Gear has adopted a conservative approach to the first half of 2015 in light of the reduced pricing environment and will limit organic capital expenditures to approximately \$3 million to further improve the balance sheet.
- Gear executed an active drilling program with 19 gross (17.1 net) wells drilled in the fourth quarter, bringing the 2014 total to 76 gross (68.6 net) wells drilled at a 91 per cent success rate. The diversified list of key operational results are summarized as follows:

**Wildmere Lloyd:** The polymer pilot continues to exceed expectations, now tracking at more than a four-fold increase in production with no breakthrough to date. The pilot will see continued injection through 2015 to further characterize the amenability of this large reservoir to polymer recovery enhancement techniques. Seven (4.8 net) horizontal wells were drilled in Wildmere including one dry and abandoned (“D&A”). The average results from this small program were slightly below expectations; however the remaining inventory of Lloydminster drilling is estimated to yield improved results through the use of lined multi-lateral drilling technology.

**Wildmere Cummings:** There were 15 horizontal wells drilled, including a pool extension well to the Southeast and a dual lateral well in the Northwest. Production has been characterized by predictable initial rates, low water cuts and low sand production. The economics of future drilling are expected to improve materially through the application of unlined multi-lateral horizontal drilling. The next well to be drilled, once prices improve, is planned as a quad-lateral well. The current recognized inventory of opportunities in the Cummings play exceeds 100 potential horizontal legs.

**Wildmere GP:** Exceptional results were realized from the two dual laterals drilled in this area. Average rates of 130 to 180 bbl/d were experienced for the first full month of production. Gear currently expects to drill two follow up wells when prices recover.

**Morgan:** Gear participated in the drilling of seven gross (four net) Lloydminster wells including one dual lateral well. Post optimization, average 30 day rates have been significantly above expectations averaging 150 bbl/d gross per well. This area is believed to have approximately 12 more horizontal legs worth of drilling in inventory.

**Maidstone:** There were 13 horizontal wells drilled into the Cummings pool including one D&A. The results mimic those seen in the Wildmere Cummings yielding a similar future plan to target the superior economics available through multi-lateral unlined drilling. Four vertical wells were also drilled into the Waseca formation realizing average 30 day peak rates over 80 bbl/d per well.

**Paradise Hill:** Gear drilled two successful horizontal wells into this new play. For the first 30 days the average rates have been over 95 bbl/d of oil per well. Gear land holdings in the area have now grown to almost seven net sections and with continued strong production; this could represent a material new core area for Gear.

**Exploration:** Inclusive of previous highlights, Gear drilled nine exploratory wells through 2014 with five of them successfully encountering new oil pools or significantly extending the boundaries of existing reservoirs. After a successful discovery well in Frenchman's Butte, the step out well drilled into expiring land was wet, and two of the three follow ups to the original discovery well realized water cuts that are uneconomic to produce at the current oil price. Seismic will be required before any further drilling is considered in the area. The exploratory well in Baldwinton encountered primarily water in the Cummings formation, however the 10 section land position remains prospective and will require seismic to optimize future drilling.

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

(Cdn\$ thousands)		2014		2013
<b>ASSETS</b>				
Current assets				
Cash	\$	-	\$	841
Accounts receivable		15,295		9,550
Prepaid expenses		2,078		1,210
Inventory		6,810		4,465
Risk management contracts		13,691		-
		37,874		16,066
Deferred income tax asset		16,501		12,611
Exploration and evaluation assets		-		3,284
Property, plant and equipment		320,343		214,641
<b>Total assets</b>	<b>\$</b>	<b>374,718</b>	<b>\$</b>	<b>246,602</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable, accrued liabilities and deferred credits	\$	23,687	\$	18,297
Risk management contracts		-		2,113
Debt		98,900		64,917
		122,587		85,327
Decommissioning liability		74,114		35,113
<b>Total liabilities</b>		<b>196,701</b>		<b>120,440</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital		231,067		166,869
Contributed surplus		10,183		9,446
Deficit		(63,233)		(50,153)
<b>Total shareholders' equity</b>		<b>178,017</b>		<b>126,162</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$</b>	<b>374,718</b>	<b>\$</b>	<b>246,602</b>

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

(Cdn\$ thousands)

	Share capital	Contributed surplus	Deficit	Total Shareholders' equity
<b>Balance at December 31, 2012</b>	<b>\$ 166,624</b>	<b>\$ 7,126</b>	<b>\$ (49,094)</b>	<b>\$ 124,656</b>
Share-based compensation	-	2,320	-	2,320
Issued for share awards	245	-	-	245
Net loss for the year	-	-	(1,059)	(1,059)
<b>Balance at December 31, 2013</b>	<b>\$ 166,869</b>	<b>\$ 9,446</b>	<b>\$ (50,153)</b>	<b>\$ 126,162</b>
Issued on offering of common shares	63,500	-	-	63,500
Exercise of stock options	3,346	(874)	-	2,472
Share issue costs, net of deferred tax benefit of \$880	(2,648)	-	-	(2,648)
Share-based compensation	-	1,611	-	1,611
Net loss for the year	-	-	(13,080)	(13,080)
<b>Balance at December 31, 2014</b>	<b>\$ 231,067</b>	<b>\$ 10,183</b>	<b>\$ (63,233)</b>	<b>\$ 178,017</b>

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

(Cdn\$ thousands, except per share amounts)	Three Months Ended December 31		Twelve Months Ended December 31	
	2014	2013	2014	2013
Sales of crude oil, natural gas and natural gas liquids	\$ 39,558	\$ 25,758	\$ 164,116	\$ 97,462
Royalties	(7,100)	(6,470)	(30,394)	(22,726)
Other income	42	26	289	115
<b>REVENUE</b>	<b>32,500</b>	<b>19,314</b>	<b>134,011</b>	<b>74,851</b>
Gain (loss) on risk management contracts	16,000	(979)	13,637	(7,043)
	<b>48,500</b>	<b>18,335</b>	<b>147,648</b>	<b>67,808</b>
<b>EXPENSES</b>				
Operating	12,840	7,140	46,049	26,641
General and administrative	1,197	1,840	7,351	5,869
Share-based compensation	635	404	1,611	2,565
Interest and financing charges	842	528	2,980	2,179
Accretion of decommissioning liability	450	196	1,453	681
Depletion, depreciation and amortization	15,429	8,813	48,330	32,027
Impairment	53,800	-	53,800	-
Exploration expense	3,284	-	3,284	-
Gain on asset disposition	-	-	(540)	(238)
Gain on foreign exchange	(408)	-	(581)	-
	<b>88,069</b>	<b>18,921</b>	<b>163,737</b>	<b>69,724</b>
Deferred tax recovery	9,570	47	3,009	857
<b>Net loss and comprehensive loss</b>	<b>\$ (29,999)</b>	<b>\$ (539)</b>	<b>\$ (13,080)</b>	<b>\$ (1,059)</b>
Net loss per share, basic and diluted	<b>\$ (0.42)</b>	<b>(0.01)</b>	<b>\$ (0.20)</b>	<b>(0.02)</b>

**GEAR ENERGY LTD.**  
**STATEMENTS OF CASH FLOWS (unaudited)**

(Cdn\$ thousands)	Three Months Ended December 31		Twelve Months Ended December 31	
	2014	2013	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss	\$ (29,999)	\$ (539)	\$ (13,080)	\$ (1,059)
Add items not involving cash:				
Unrealized (gain) loss on risk management contracts	(13,436)	(530)	(15,804)	1,972
Share-based compensation	635	404	1,611	2,565
Bad debt expense	9	12	(1)	12
Accretion of decommissioning liability	450	196	1,453	681
Depletion, depreciation and amortization	15,429	8,813	48,330	32,027
Impairment	53,800	-	53,800	-
Exploration expense	3,284	-	3,284	-
Gain on asset disposition	-	-	(540)	(238)
Deferred tax recovery	(9,570)	(47)	(3,009)	(857)
Decommissioning liabilities settled	(728)	(98)	(2,636)	(602)
Change in non-cash working capital	(6,449)	(446)	(7,486)	5,010
	<b>13,425</b>	<b>7,765</b>	<b>65,922</b>	<b>39,511</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Borrowings of debt under demand credit facility	12,238	12,246	33,983	12,234
Issuance of share capital, net of share issue costs	-	-	62,444	-
	<b>12,238</b>	<b>12,246</b>	<b>96,427</b>	<b>12,234</b>
<b>CASH FLOW USED IN INVESTING ACTIVITIES</b>				
Property, plant and equipment expenditures	(20,969)	(17,411)	(84,580)	(53,664)
Proceeds on disposition of petroleum and natural gas properties	738	-	(83,141)	200
Change in non-cash working capital	(5,432)	(1,759)	4,531	2,560
	<b>(25,663)</b>	<b>(19,170)</b>	<b>(163,190)</b>	<b>(50,904)</b>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	-	841	(841)	841
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	-	-	841	-
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ -</b>	<b>\$ 841</b>	<b>\$ -</b>	<b>\$ 841</b>
The following are included in cash flow from operating activities:				
Interest paid in cash	\$ 842	\$ 528	\$ 2,980	\$ 2,179

**FOR FURTHER INFORMATION PLEASE CONTACT:**

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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: Guidance estimates; expected facility investments; decreased future dependence on propane; planned follow-up wells; the number of future drilling locations; reduced operating costs; timing of capital development program; volume growth and a number of other matters, including future results from operations and operating metrics; future costs, expenses and royalty rates; future interest costs; and future development, exploration, acquisition and development activities (including drilling plans) and related capital expenditures.

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.

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.

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.

### **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 and 30 day 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 and are not necessarily indicative of long-term performance or of ultimate recovery. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for Gear.