GEAR ENERGY LTD. ANNOUNCES $10 MILLION 2016 CAPITAL BUDGET

CALGARY, ALBERTA, March 28, 2016 /Marketwired/ - Gear Energy Ltd. ("Gear") (TSX: GXE) is pleased to announce that the Board of Directors has approved a $10 million capital budget for 2016.

The fundamentals of the oil market have begun to improve dramatically from the lows seen early in 2016. West Texas Intermediate ("WTI") oil prices have rebounded from the lows of approximately US$26 per barrel to the current US$40 per barrel range. The differential for heavy oil has also improved on a percentage basis from almost a 50 per cent discount in February to the current forecast of closer to 30 per cent. As a result of these changes, the forecasted price for heavy oil at Gear has almost doubled from the record low seen in February. These recent changes have occurred despite the fact that the United States is currently holding a record amount of crude oil in storage. It appears the commodity market is looking past the current refinery turnaround season and is acknowledging that the massive reduction in active drilling over the past few quarters is very likely to start having a material impact on production this summer.

In light of the improved pricing outlook, Gear's Board of Directors and management now believe that the economic returns on drilling are strong enough to justify a return to activity in the field. Gear management is pleased to announce a $10 million capital development program for 2016 that will consist of $8 million of drilling and recompletion activity, $1 million of field optimization projects and $1 million of land, maintenance and other corporate costs.

The 2016 drilling program is scheduled to commence in July to take advantage of lower summer costs and is expected to include ten 100 per cent working interest horizontal oil locations as summarized below:

> **Paradise Hill:** Six single lateral horizontal lined McLaren oil wells to follow up on the successful five wells currently producing in this new core area.
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> **Wildmere:** Three quad lateral unlined Cummings oil wells to follow up on the successful quad lateral well drilled in 2015.
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> **Low Risk Exploration:** One low risk multi-lateral horizontal well to be drilled into a potential new core area where offset vertical and horizontal drilling by peers has been successful at unlocking economic oil production.

The proposed 10 well drilling program for 2016 is forecast to achieve a risked rate of return of approximately 40 per cent based on a price estimate of US$40/bbl WTI and a 30 per cent heavy oil differential to WTI. In addition, the $10 million capital program is forecast to add approximately 800 bbl/d of oil to the December average production, thus yielding an estimated capital efficiency of $12,500/boe/d.

The capital program for 2016 is forecast to be funded primarily through cash flow and together with Gear's base production is predicted to yield the following annual results:

	2016 Guidance
Average Production (boe/d)	**4,000**
Royalties (%)	**10**
Operating Costs including Transportation ($/boe)	**15.50 – 16.50**
G&A Costs ($/boe)	**2.95**
Interest Costs ($/boe)	**1.50**
Capital Expenditures ($ million)	**10**

Despite the recent improvement in commodity prices there remains significant uncertainty and volatility in the oil and gas industry. As a result, Gear's new budget for 2016 remains conservative and flexible. Gear's management and Board of Directors intends to continue to monitor commodity prices and differentials and may at any time suspend, cancel or alter the new 2016 capital program as a result of any weakening or strengthening in prices or differentials. In addition, Gear expects to be able to quickly respond to any change in the available funds from its credit facilities resulting from the semi-annual review of its borrowing base by its lenders, which is scheduled to be completed by June 1, 2016. Under the current strip price forecast Gear anticipates being approximately 75 per cent drawn on the existing $60 million syndicated credit facility at June 1, 2016, with an additional $14.8 million of convertible debentures outstanding and due in November 2020.

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. In particular, this press release contains forward-looking information relating to, among other things: Gear's intention to resume drilling activities in July of 2016; expected rate of return and capital efficiency resulting from the new 2016 budget; guidance with respect to 2016, including expected average production, royalties, operating costs, G&A costs, interest costs and capital expenditures; expectations of trends in commodity prices and price differentials; the intent to fund the budget with cash flow. 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.*

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, assumptions have been made regarding, among other things: 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; the ability of Gear to successfully market its oil and natural gas products; the ability of Gear to obtain financing on terms acceptable to Gear; and the continued availability of credit under the Gear's credit facilities.

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; any actions by Gear's lenders to reduce the availability under its credit facilities, to demand repayment in full or to enforce its security; 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 14, 2016, which is available at www.sedar.com. The reader is cautioned not to place undue reliance on this forward-looking information. In addition, to the extent that any forward-looking information presented herein constitutes future-oriented financial information or a financial outlook such information has been presented to provide management's expectations used for budgeting and planning purposes based on the assumptions presented herein and such information may not be appropriate for other purposes. 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.

Gear has used the terms risked rate of return and capital efficiency in this press release, which are oil and gas metrics. The terms risked rate of return and capital efficiency do not have standardized meanings and therefore Gear's calculation of rate of return and capital efficiency may not be comparable to the use of such terms by other oil and gas companies. Gear has calculated risked rate of return by taking the expected capital costs to drill, complete and equip wells and balancing them against the future net revenue expected using a flat $40 per barrel WTI price, a 30 per cent heavy oil discount to WTI and management estimates of operating costs, royalties, production rates and reserves. The production and reserves estimates are based on a combination of actual area average results and independently assessed values from GLJ, those amounts are then risked with a chance of success between 60 to 90 per cent. Gear has calculated capital efficiency by taking the total expected capital costs to be invested in 2016 to drill, complete and equip wells, plus other corporate capital including land, seismic and facilities, divided by the expected exit December 2016 production resulting from the aforementioned capital. Gear has provided the calculation of capital efficiency to provide readers with an indication of the efficiency of its past capital spending; however, such results may not be a reliable indicator of future performance and should not be used for other purposes.

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.*