GEAR ENERGY

NEWS RELEASE

GEAR ENERGY LTD. ANNOUNCES RECORD FIRST QUARTER 2014 CASH FLOW AND OPERATING RESULTS

CALGARY, ALBERTA (May 7, 2014) 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, 2014 are available for review on Gear's website at www.gearenergy.com and on www.sedar.com.

Financial Summary

	Three months ended		
(Cdn$ thousands, except per boe amounts)	**March 31, 2014**	March 31, 2013	Dec 31, 2013
FINANCIAL			
Cash flow from operations (1)	**12,202**	5,165	8,309
Per weighted average basic and diluted share	**0.22**	0.10	0.15
Cash flow from operating activities	**10,780**	8,762	7,765
Per weighted average basic and diluted share	**0.20**	0.16	0.14
Net income (loss)	**1,588**	(3,611)	(539)
Per weighted average basic and diluted share	**0.03**	(0.07)	(0.01)
Capital expenditures	**23,972**	13,611	17,440
Net acquisitions (2)	**348**	70	(29)
Net debt outstanding (1)	**18,412**	56,128	67,148
Shares outstanding, weighted average, basic	**54,694**	53,858	53,956
Shares outstanding, weighted average, diluted	**55,799**	53,858	54,392
OPERATING			
Production			
Oil and liquids (bbl/d)	**3,975**	3,445	4,369
Natural gas (mcf/d)	**1,095**	1,995	1,641
Total (boe/d)	**4,158**	3,777	4,642
Average prices			
Oil and liquids ($/bbl)	**79.50**	53.77	62.91
Natural gas ($/mcf)	**5.20**	3.13	3.12
Oil equivalent ($/boe)	**77.38**	50.69	60.31
Netback ($/boe)			
Commodity and other sales	**77.38**	50.81	60.37
Royalties	**13.02**	10.93	15.15
Operating costs	**20.73**	18.81	16.72
Operating netback (before hedging)	**43.63**	21.07	28.50
Realized risk management (losses)	**(4.68)**	(0.57)	(3.53)
Operating netback (after hedging)	**38.95**	20.50	24.97
General and administrative	**4.76**	3.91	4.31
Interest	**1.63**	1.40	1.24
Corporate netback	**32.56**	15.19	19.42
TRADING STATISTICS			
($ based on intra-day trading)			
High	**4.29**	n/a	3.55
Low	**3.12**	n/a	2.55
Close	**4.24**	n/a	3.23
Average daily volume (thousands)	**411**	n/a	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 quarterly cash flow from operations of $12.2 million, a 156 per cent increase per debt adjusted share from $5.2 million in the first quarter of 2013 and a 64 per cent increase per debt adjusted share from $8.3 million in the fourth quarter of 2013. Cash flow growth was a result of increased volumes, stronger pricing and lower royalty burdens as a per cent of revenues. Gear achieved a strong field netback for the first quarter of $43.63 per boe.

- Realized heavy oil prices increased from $53.77 per bbl in the first quarter of 2013 to $79.50 per bbl in the first quarter of 2014 as a result of narrowing heavy oil differentials, increased WTI pricing, and a weaker Canadian dollar. During the first quarter of 2014, Gear shipped 51 per cent of volumes via rail. On average, Gear was able to realize six per cent stronger pricing on volumes sold through rail compared to volumes sold via pipeline connect.

- First quarter operating costs, including transportation, were $20.73 per boe. The 16 per cent increase over 2013 costs was due to significantly higher propane prices during the cold weather, and increased transportation costs associated with the unpredictability of rail shipping. Facility investments are expected through 2014 in Gear's Maidstone and Wildmere Cummings properties to develop fuel gas system intended to materially decrease Gear's future dependence on propane, similar to those that already exist in the Wildmere Lloydminster area.

- Sales production for the first quarter averaged 4,158 boe per day, a 19 per cent increase per debt adjusted share from 3,777 boe per day in the first quarter of 2013. First quarter sales production was limited by temporary shut-ins adjacent to an aggressive first quarter drilling program and as a result of significant challenges shipping oil by rail through the quarter. Due to the limitations of rail shipping, Gear's oil stored in tanks grew by 34,000 bbls or an average of 375 bbls per day over the first quarter. Oil inventory will be reduced through the remainder of the year, providing incremental revenue during periods of stronger heavy oil pricing. Current production is over 7,000 boe per day and rail shipments have improved.

- Gear executed its most aggressive drilling program ever with first quarter drilling of 26 gross (24 net) wells at an 88 per cent success rate. This compares to a fourth quarter drill program consisting of 14 gross (12.5 net) wells. The first quarter program included five horizontal wells in Wildmere Lloydminster, four in Wildmere Cummings, eight in Maidstone and eight drills in various other heavy oil areas. Inclusive in the drilling program were two exploratory drills targeting new plays in Saskatchewan. Early results for these two drills are encouraging with 30 day initial average oil rates per well of 90 bbls per day. Follow-up wells are planned during 2014 for both these potential new plays.

- In March 2014, Gear successfully closed its first public equity financing, raising $63.5 million gross by issuing 15.875 million shares at a price of $4.00 per share. In addition, Gear finalized an increase in its credit facility from $75 million to $100 million. These two events combined provided Gear the means to successfully complete an acquisition of heavy oil assets subsequent to the quarter end.

ACQUISITION HIGHLIGHTS

- On April 30, 2014, Gear acquired over 2,000 boe per day of heavy oil assets for $85 million. The assets are focused near Gear's core producing areas and provide a material increase in low risk future drilling opportunities, with 175 net drilling locations, increasing Gear's drilling inventory to approximately 400 locations. In addition, Gear has identified approximately 60 net recompletion opportunities. In conjunction with the acquisition, Gear's Board of Directors approved an increase in the 2014 capital budget from $70 million to $85 million, with the $15 million increase dedicated to the acquired assets.

- The assets currently have a royalty rate of 13 per cent and an operating cost of approximately $30 per boe. Gear plans on reducing the operating cost of the acquired assets to $25 per boe by the end of 2014 and below $20 per boe in 2015 through a variety of capital infrastructure investments, field process improvements, and synergies with Gear's existing assets. Gear's capital development program on the acquired assets is expected to commence in the fall of 2014, with material volume growth occurring into 2015.

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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 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. 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 the Gear.