GEAR ENERGY LTD. ANNOUNCES 2016 OPERATIONAL UPDATE

CALGARY, ALBERTA, September 8, 2016 /Marketwired/ - Gear Energy Ltd. (“Gear”) (TSX: GXE) is pleased to provide an update on operations to date for the 2016 capital program.

Operational update

- To date Gear has successfully drilled 10 horizontal heavy oil wells and is currently drilling the last well of the summer program. Results have been encouraging in both Wildmere, Alberta and Paradise Hill, Saskatchewan with costs averaging under original estimates and initial production rates exceeding expectations. As a result of the drilling costs savings to date, the 2016 drilling program has been expanded to 14 wells with the addition of two more wells in Paradise Hill with no material net increase in total capital anticipated. The phase two portion of the 2016 drill program is estimated to commence in the fourth quarter and will consist of two full section horizontal Basal Belly River light oil wells in Wilson Creek, and one exploratory horizontal Mannville heavy oil well to be drilled into a potential new core area that currently covers approximately 11 sections of 100% Gear land.

- **Wildmere Cummings**. Gear successfully drilled three new quad-lateral unlined horizontal oil wells into the extensive Cummings formation in Wildmere. Initial production results have come in substantially above initial expectations at average 21 to 30 day peak initial rates of approximately 160 bbl/d per well (approximately 40% higher than the first full month of production from the original quad well, which was used as the basis for budget expectations). The outperformance is attributed primarily to improved pay quality and increased total wellbore lengths compared to the original quad-lateral well drilled by Gear in 2015. Average costs for the quad wells were approximately 14% higher than original estimates due to the increased lengths and a one-time rig move cost. The three new wells were drilled and put on production for total costs between $1,062,000 and $880,000 yielding an average all-in capital cost of $966,000 per well.

- **Paradise Hill McLaren**. Gear has drilled seven successful single lateral lined McLaren wells to date in Paradise Hill with the last well of the expanded eight well program currently underway. The average all-in costs have come in at $530,000 per well, approximately 21% lower than original estimates. These cost reductions should significantly improve the already competitive economics of the play and have provided the ability to add two additional wells to the program with no material increase in total capital costs. Three of the wells are currently on production and early results are meeting expectations.

- Total corporate production continues to track within guidance with August volumes of approximately 5,800 boe/d influenced by temporary restrictions due to the shut-in of production adjacent to offset drilling and September to date averaging approximately 6,200 boe/d. With five more Paradise Hill wells and the three wells planned in the fourth quarter still to come on production, Gear remains on track to meet or exceed current estimated December average guidance of 6,400 boe/d.

- Gear expects to release detailed third quarter 2016 results and guidance for 2017 after market close on November 9, 2016.

About Gear Energy Ltd.

Gear is a Canadian exploration and production company with predominantly horizontal heavy and light oil production in central Alberta and west central Saskatchewan. The current and ongoing business plan is to continue focusing on being a low cost 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. 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. In particular, this press release contains forward-looking statements relating to, among other things, the expected details and timing of the remainder of Gear's 2016 drilling program, the expectation of adding two additional wells to Gear's 2016 drilling program with no material increase in total capital costs, the expectation that Gear will achieve its 2016 production guidance, and the expected timing for releasing detailed third quarter 2016 results and guidance for 2017.*

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, Gear has made certain assumptions relating to: drilling results; 2016 field production rates; the general continuance of current or future industry conditions; timing for bringing certain wells on production; the performance of wells as expected; the continued availability of credit under Gear's credit facilities; 2016 capital expenditures; 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 reduction of availability of credit under Gear's credit facilities or any requirement to repay all or a portion of indebtedness under such credit facilities; 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 17, 2016, 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 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.