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For Immediate Release
Calgary, Alberta, July 23, 2018

GEAR ENERGY LTD. ANNOUNCES ACQUISITION OF STEPPE RESOURCES INC.

Gear Energy Ltd. ("**Gear**") (TSX: GXE) is pleased to announce that it has entered into a definitive agreement (the "**Arrangement Agreement**") providing for the acquisition by Gear of all of the issued and outstanding common shares (the "**Steppe Shares**") of Steppe Resources Inc. ("**Steppe**"), a private oil and gas company, pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) (the "**Arrangement**").

Light Oil Acquisition

Under the terms of the Arrangement, Steppe shareholders will receive, for each Steppe Share held, 0.1445 Gear common shares ("**Gear Shares**"). As a result, Gear will issue in aggregate 21,896,087 Gear Shares pursuant to the Arrangement. Additionally, as part of the Arrangement, Gear will assume the net debt of Steppe of approximately $40.9 million, after taking into account expected Steppe transaction costs. In aggregate, the total consideration represents a Steppe enterprise value of $70.4 million (based on today's closing price of the Gear Shares of $1.35 on the Toronto Stock Exchange).

Steppe's assets are focused in the Tableland area of Southeast Saskatchewan where Steppe has established a material land position and grown light oil production through multiple years of reservoir expansion drilling and consistent improvement in completion results, primarily in the Torquay formation. This acquisition provides Gear with an exceptional opportunity to leverage its success with fractured drilling in Gear's Wilson Creek assets to an area with higher netback oil and a significantly larger areal extent. In addition, Gear believes that the Ratcliffe formation in the Tableland area could be very amenable to multi-lateral, un-lined horizontal drilling techniques, similar to those employed successfully by Gear throughout its heavy oil portfolio.

Highlights of the acquisition of Steppe include:

- Production of approximately 1,175 BOE/d for June 2018, with estimated 2H 2018 annualized funds from operations of $24 million assuming no drilling and strip pricing (an acquisition metric of approximately three times funds from operations on a proved developed producing production forecast).

- High margin, high netback, light oil providing netbacks of $52 per barrel for the first quarter of 2018, which would have increased Gear's pro-forma Q1 2018 netbacks by 23 per cent to $26.50 per BOE.

- Meaningful, delineated drilling inventory of an estimated 100 future light oil locations in the Torquay (essentially 100% working interest in more than 50 net contiguous sections) with additional multi-zone potential in the Ratcliffe and Bakken.

- Ability for the Steppe assets to deliver more than 15% production growth in 2019 while spending less than cash flow generated by the assets, complementing the performance of Gear's existing Saskatchewan and Alberta oil operations.

- 100% ownership of two oil batteries with significant remaining capacity, enabling growth of production volumes with limited infrastructure spending.

- A strong asset to liability ratio of approximately 5.3 times, which is highly accretive to Gear's existing 2.2 ratio.

Acquisition Metrics and Balance Sheet

The acquisition of Steppe is being conducted at approximately three times estimated annualized second half 2018 funds from operations and less than $60,000/BOE/d. It is also forecast to deliver competitive future growth while investing less than cash flow for many years to come, consistent with Gear's business model for its existing operations. The acquisition improves Gear's netbacks, balances the inventory of drilling opportunities between light oil and heavy oil, and delivers visibility for Gear to exceed 10,000 BOE/d of oil-weighted production in the near term while continuing to deliver strong per-share performance measures.

Upon closing of the Arrangement, Gear expects to enter into an increased borrowing based credit facility commensurate with the increased value of Gear's assets resulting from the acquisition of the Steppe assets. Under current strip pricing for the second half of 2018, Gear is forecasting a continued strong balance sheet, with net debt estimate of approximately $71 million by the end of 2018 and a forecasted fourth quarter 2018 annualized net debt to funds from operations ratio of 0.7 times (estimates are based on the following pricing assumptions: WTI – US$68/bbl, WCS differential – US$23.50/bbl, Edmonton Par differential – US$7/bbl, AECO – Cdn$1.50/GJ and FX – $0.76 USD/CAD).

Future Potential

Management and the board of directors of Gear believe that the combined assets will provide significant benefits to Gear and Steppe shareholders. Notably, the Arrangement further enhances a diversified, well-funded, low-cost, growth focused oil company with a deep inventory of drilling opportunities, a strong balance sheet and significant optionality for future value creation.

For 2019, and assuming completion of the Arrangement, Gear is forecasting the execution of a 6 well light oil drilling program on the Steppe assets, which management of Gear has predicted to yield the following annual results from the new assets:

Annual production(1)	1,400 – 1,500 BOE/d (99% light oil)
Royalty rate	8%
Operating costs	$13.00/BOE
Estimated net operating income(2)(3)	$27 million
Capital expenditures	$18 million
Planned wells	6

(1) Range of annual expectation primarily due to timing of execution.
(2) Net operating income is defined as revenue net of royalties and operating expenses.
(3) Estimated net operating income is based on forward strip pricing for 2019. They include the following pricing assumptions: WTI – US$63/bbl; Edmonton Par discount – US$8/bbl; and FX – $0.76 USD/CAD.

Arrangement Agreement

Pursuant to the Arrangement Agreement, Gear and Steppe have agreed that the Arrangement will be completed by way of plan of arrangement under the *Business Corporations Act* (Alberta). The Arrangement Agreement provides that the completion of the Arrangement is subject to certain customary conditions, including the receipt of all required regulatory approvals, the approval of the Toronto Stock Exchange, approval under the *Competition Act* (Canada), the approval of the holders of Steppe Shares and the approval of the Court of Queen's Bench of Alberta. The Arrangement Agreement contains a non-solicitation covenant on the part of Steppe, subject to customary superior proposal provisions as well as a right to match provision in favour of Gear. The Arrangement Agreement also contains representations, warranties, covenants and termination provisions customary for a transaction of this nature.

The Steppe Board of Directors has received a verbal opinion from Tudor, Pickering, Holt & Co. Securities – Canada, ULC that, subject to review of the final form of the documents affecting the Arrangement, the consideration to be received by Steppe shareholders pursuant to the terms of the Arrangement is fair, from a financial point of view, to the Steppe shareholders.

Certain directors and officers of Steppe, and certain shareholders of Steppe, representing approximately 91% of the issued and outstanding Steppe Shares, have entered into support agreements with Gear pursuant to which they have agreed to vote their Steppe Shares in favour of the Arrangement. Steppe intends to seek shareholder approval by written resolution or by calling a special meeting of such shareholders. The Arrangement is expected to close in the third quarter of 2018.

For further information, please contact:

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Advisories

Forward-Looking Statements: This press release contains forward-looking statements. More particularly, this press release contains statements concerning the proposed Arrangement including the impact of the Arrangement on Gear and Gear's plans; the anticipated approval of the Arrangement by the shareholders of Steppe; the anticipated receipt of all Court and regulatory approvals in respect of the Arrangement; the satisfaction of all parties to the conditions to closing of the Arrangement; the anticipated closing time of the Arrangement; anticipated effect and benefits of the Arrangement including the anticipated 2019 drilling program with respect to Steppe's inventory, including estimated production, royalty rates, operating costs, net operating income, capital expenditures and the number of planned wells; estimated annual funds from operations in respect of the Steppe assets; estimated net debt of Gear; the ability to use multi-lateral un-lined horizontal drilling techniques for the assets of Steppe being acquired; the expected treatment of the securities of Steppe in connection with the Arrangement; expected terms and availability of increased credit facilities upon closing of the Arrangement; expected yearend 2018 and year 2019 heavy oil prices, differential and foreign exchange; and intention of Gear management to build value by continuing to operate effectively within the current oil price environment. Certain forward-looking statements are based on certain key expectations and assumptions made by Gear's management, including among others, the timing of receipt of regulatory and Steppe shareholder approvals for the Arrangement; the ability of Gear to execute and realize on the anticipated benefits of the Arrangement; that the increased credit facilities will be entered into in the amounts and terms anticipated which shall be satisfactory to Gear or at all; expectations and assumptions concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; expectations regarding pricing assumptions; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures and carrying out planned activities; the timing, location and extended future drilling locations; the state of the economy and the exploration and production business; results of operations; performance; availability of labour and services; the impact of increasing competition; the ability to market oil and natural gas successfully; the ability of Gear to access capital as may be required; and the other assumptions identified herein. 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, some of which are beyond Gear's control.

Completion of the Arrangement could be delayed if parties are unable to obtain the necessary regulatory, stock exchange, shareholder and court approvals on the timeline planned. The Arrangement will not be completed if all of these approvals are not obtained or some other condition of closing is not satisfied. Accordingly, there is a risk that the Arrangement will not be completed within the anticipated time or at all. Any increases to Gear's credit facilities will be subject to a number of conditions, including the closing of the Arrangement. If an increased credit agreement is not entered into it may impact Gear's ability to continue to fund its operations and may prevent the closing of the Arrangement. In this press release, Gear has disclosed certain expected details relating to the Gear's 2019 capital program on the Steppe assets if the Arrangement closes; however, the board of directors of Gear has not approved a budget for 2019 and as such the details relating to the 2019 capital program are intended only to illustrate Gear's management's current expectations based on information and conditions known as of the date hereof. Gear's *actual 2019 capital budget once approved may differ from the details disclosed herein for a variety of reasons including as a result of any change in conditions and information known to Gear prior to the date the 2019 budget is approved and/or as a result of Gear's management and board of directors allocating capital differently than currently expected. The actual 2019 capital program on the Steppe assets may also differ from the expectations as set out herein due to the other risk factors identified herein. Other risks include risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets and other economic and industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling services, incorrect assessment of value of acquisitions and failure to realize the benefits therefrom, delays resulting from or inability to obtain required regulatory approvals, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources and economic or industry condition changes. Actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Gear will derive therefrom. Additional information on these and other factors that could affect Gear are included in reports on file with Canadian securities regulatory authorities that may be accessed through the SEDAR website (www.sedar.com) or at Gear's website www.gearenergy.com. 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.*

Future Oriented Financial Information: To the extent that any forward-looking statements presented herein constitutes future-oriented financial information or a financial outlook (collectively, "FOFI"), as such terms are defined in applicable securities laws, such information has been presented to provide Gear management's expectations following completion of the Arrangement used for budgeting and planning purposes based on a number of assumptions, including the assumptions presented herein, and such information may not be appropriate for other purposes. The actual results of operations of Gear and the resulting financial results will likely vary from the amounts presented in this press release, and such variation may be material. Gear and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments. However, because this information is subjective and subject to numerous risks it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, Gear undertakes no obligation to update such FOFI.

Non-GAAP Measures: This press release contains the terms "net debt", "funds from operations", "net operating income" and "netbacks", which do not have a standardized meaning prescribed by Canadian Generally Accepted Accounting Principles ("GAAP") and, therefore, may not be comparable with the calculation of similar measures by other companies. These measures have been described and presented in this press release in order to provide readers with additional information regarding Gear's liquidity and its ability to generate funds to finance its operations. Net debt in this press release is estimated as debt less current working capital items, excluding out-of-the-money risk management contracts, and after taking into account anticipated transaction costs (including Steppe's legal, accounting and financial advisory fees, severance costs and forecasted costs of out-of-the-money risk management contracts), in each case calculated in accordance with GAAP. Funds from operations is defined as cash flow from operating activities before changes in non-cash operating working capital and decommissioning liabilities settled. Gear evaluates its financial performance primarily on funds from operations and considers it a key measure as it demonstrates its ability to generate the cash flow necessary to fund Gear's capital program and repay debt. Net operating income equals total revenue less royalties and operating and transportation expenses and is used to analyze operating performance. Netbacks equal total revenue less royalties and operating and transportation expenses calculated on a per BOE basis and are used to analyze operating performance. For additional details relating to these non-GAAP measures see Gear's most recent management's discussion and analysis

Barrels of Oil Equivalent: Disclosure provided herein in respect of barrels of oil equivalent (BOE) may be misleading, particularly if used in isolation. A BOE conversion ratio of 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.

Drilling Locations: This press release discloses drilling locations associated with Steppe's assets. These locations are Gear management's internal estimates based on a review of Steppe's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. While certain of these internally estimated drilling locations may be consistent with drilling locations identified in Steppe's most recent independent reserves report as having associated proved and/or probable reserves, for the purpose of this press release management has considered them as unbooked locations. These locations have been identified by management of Gear as an estimation of Steppe's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production, pricing assumptions and reserves information. There is no certainty that all such drilling locations will be drilled and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which Gear actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While the majority of Steppe's unbooked locations are extensions or infills of the drilling patterns already recognized by the independent evaluator, other unbooked drilling locations are farther away from existing wells where Steppe has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled by Gear in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Selected Definitions: The following terms used in this press release have the meanings set forth below:

"bbl" means barrel of oil

"BOE" means barrel of oil equivalent of natural gas and crude oil on the basis of 1 boe for six thousand cubic feet of natural gas (this conversion factor is and industry accepted norm and is not based on either energy content or current prices)

"BOE/d" means barrel of oil equivalent per day

"FX" means foreign exchange

"GJ" means gigajoule

"Mcf" means thousand cubic feet

"mmBOE" means million barrels of oil equivalent

"WTI" means West Texas Intermediate