GEAR ENERGY

NEWS RELEASE

GEAR ENERGY LTD. ANNOUNCES SECOND QUARTER 2018 OPERATING RESULTS

CALGARY, ALBERTA (August 8, 2018) Gear Energy Ltd. ("Gear" or the "Company") (TSX:GXE) is pleased to provide the following second quarter operating update to shareholders. Gear's Interim Financial Statements and related Management's Discussion and Analysis ("MD&A") for the period ended June 30, 2018 are available for review on Gear's website at www.gearenergy.com and on www.sedar.com.

Financial Summary

(Cdn$ thousands, per boe amounts)	Three months ended			Six months ended	
	Jun 30, 2018	Jun 30, 2017	Mar 31, 2018	**Jun 30, 2018**	Jun 30, 2017
FINANCIAL					
Funds from operations (1)	**13,674**	10,248	8,078	**21,753**	18,977
Per weighted average basic share	**0.07**	0.05	0.04	**0.11**	0.10
Per weighted average diluted share	**0.07**	0.05	0.04	**0.11**	0.09
Cash flow from operating activities	**8,596**	5,362	14,787	**23,383**	17,607
Net income (loss)	**(1,869)**	3,001	(4,294)	**(6,163)**	5,987
Per weighted average basic share	**(0.01)**	0.02	(0.02)	**(0.03)**	0.03
Per weighted average diluted share	**(0.01)**	0.01	(0.02)	**(0.03)**	0.03
Capital expenditures	**6,385**	6,161	9,243	**15,628**	24,945
Net acquisitions (2)	**10**	127	390	**400**	59
Net debt (1)	**38,960**	43,409	45,330	**38,960**	43,409
Weighted average shares, basic (thousands)	**195,045**	192,922	194,968	**195,007**	192,881
Weighted average shares, diluted (thousands)	**195,045**	208,971	194,968	**195,007**	209,074
Shares outstanding, end of period (thousands)	**195,213**	192,935	194,968	**195,213**	192,935
OPERATING					
Production					
Heavy oil (bbl/d)	**4,774**	3,887	4,231	**4,504**	3,813
Light and medium oil (bbl/d)	**1,232**	1,412	1,197	**1,215**	1,249
Natural gas liquids (bbl/d)	**219**	322	223	**221**	270
Natural gas (mcf/d)	**4,806**	5,334	5,229	**5,016**	5,266
Total (boe/d)	**7,025**	6,510	6,522	**6,775**	6,210
Average prices					
Heavy oil ($/bbl)	**55.04**	44.72	42.97	**49.40**	43.94
Light oil ($/bbl)	**75.67**	59.64	64.53	**70.21**	60.19
Natural gas liquids ($/bbl)	**40.51**	28.11	39.74	**40.12**	26.10
Natural gas ($/mcf)	**1.08**	2.91	1.66	**1.38**	2.96
Netback ($/boe)					
Commodity and other sales	**52.67**	43.77	42.42	**47.76**	42.92
Royalties	**(5.06)**	(4.96)	(4.95)	**(5.01)**	(4.49)
Operating costs	**(17.16)**	(17.78)	(15.83)	**(16.52)**	(17.07)
Operating netback (1)	**30.45**	21.03	21.64	**26.23**	21.36
Realized risk management gains (losses)	**(5.55)**	(0.77)	(4.15)	**(4.88)**	(0.99)
General and administrative	**(2.55)**	(2.13)	(2.83)	**(2.69)**	(2.54)
Interest	**(0.93)**	(0.83)	(0.92)	**(0.92)**	(0.85)
Other	**(0.02)**	-	0.02	**-**	(0.09)
Corporate netback (1)	**21.40**	17.30	13.76	**17.74**	16.89
TRADING STATISTICS					
($ based on intra-day trading)					
High	**1.37**	0.94	1.01	**1.37**	1.26
Low	**0.68**	0.60	0.66	**0.66**	0.60
Close	**1.35**	0.74	0.70	**1.35**	0.74
Average daily volume (thousands)	**820**	253	458	**642**	403

(1) Cash flow from operations, net debt, operating netback and corporate netback are non-GAAP measures and additional information with respect to these measures can be found 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.

MESSAGE TO SHAREHOLDERS

With this quarterly release, the team at Gear is pleased to report production above 7,000 boe per day with a liquids weighting of 89 per cent delivering a field netback of greater than $30 per boe. This is a netback number per boe that Gear shareholders have not seen since the fourth quarter of 2014. During that quarter in 2014 revenue was 14 per cent higher than it is this quarter however at the time royalties and operating costs per boe were 50 per cent and 14 per cent, respectively, higher as well. The combination of more stable oil prices and lower costs has provided an environment where the Gear team is excited to resume significant organic growth activity. Although only four wells were drilled during the second quarter, Gear will have two active rigs drilling for light and heavy oil throughout the third quarter, and into the fourth. In addition the Gear team is pleased to have further deleveraged during the second quarter with a reported net debt of $39.0 million, a 60 percent reduction from the previously mentioned fourth quarter of 2014, and a 14 percent reduction from the prior quarter in 2018. The Gear team remains cautiously optimistic regarding future commodity prices with recent positive news on two major oil pipeline developments and the continued crude-by-rail expansion.

QUARTERLY HIGHLIGHTS

- Realized quarterly funds from operations of $13.7 million, a 69 per cent increase from the first quarter funds from operations of $8.1 million. The quarterly increase is primarily due to an eight per cent increase in sales volumes to 7,025 boe per day and stronger liquids pricing.

- In the first quarter, as a result of limitations in shipping oil to market, Gear decided to temporarily slow its heavy oil production and built a record inventory of saleable oil in excess of 40,000 barrels. Egress problems were alleviated in the second quarter as a result of the seasonal increase in pipeline capacity, the improvement in rail services, and the temporary shut-down of a major oil sands project. As a result, Gear was able to sell those inventoried oil volumes throughout the second quarter of 2018 at improved prices. Gear estimates that approximately 500 barrels per day sold in the second quarter related to inventoried volumes.

- Heavy and light oil prices improved in the second quarter relative to the first quarter by $12.07 and $11.14 per barrel, respectively. The improvement in pricing was attributable to the increase in WTI benchmark pricing by approximately US$5 per barrel and the narrowing of the WCS differential by approximately US$5 per barrel. The stronger pricing resulted in a realized a field netback of $30.45 per boe, a 41 per cent improvement over the first quarter.

- Drilled and completed four gross (four net) wells during the second quarter with a 100 per cent success rate in Paradise Hill. Subsequent to June 30, 2018, Gear has drilled an additional six wells in Paradise Hill and two multi-stage fractured wells in Hoosier. In addition, Gear has recently initiated its light oil well drilling program in Wilson Creek. Second quarter production was somewhat reduced as several wells adjacent to active drilling operations were temporarily shut-in. As a result of the active summer drilling program, Gear is forecasting production to grow through the second half of the year.

- Improved the already strong balance sheet with net debt falling from $45.3 million in the first quarter to $39.0 million in the second quarter. The $39.0 million of net debt is inclusive of $13.6 million of convertible debentures ("debentures"). Starting in 2019, the remaining debentures can be redeemed by Gear provided that the 20 day volume weighted share price for Gear is greater than or equal to $1.09 per share. At any time up to the maturity or redemption date, debenture holders have the right to convert at a price of $0.87 per common share, which if all debentures were converted would result in the issuance of approximately 15.6 million Gear common shares. Net debt to annualized second quarter funds from operations was 0.7 times.

STEPPE RESOURCES INC. ("Steppe")

- On July 23, 2018, Gear announced it had entered into an agreement for the acquisition of Steppe for approximately $70.4 million through a combination of 21.9 million Gear shares and the assumption of approximately $40.9 million of net debt. Steppe's assets consist primarily of a material land position and high netback light oil production of approximately 1,175 boe/d in Southeast Saskatchewan. The acquisition, which has been structured as a plan of arrangement under the *Business Corporations Act* (Alberta), is subject to certain conditions including the approval of Steppe shareholders, approval of the Court of Queen's Bench and certain regulatory and third party approvals. The Steppe acquisition is expected to close by the end of the third quarter of 2018. In conjunction with the close of the acquisition, Gear expects to increase its credit facilities from $75 million to $115 million. Assuming the transaction closes at the end of the third quarter of 2018, Gear forecasts a fourth quarter 2018 annualized net debt to funds from operations ratio of 0.9 times (estimates are based on the following price assumptions: WTI – US$67/bbl, WCS differential – US$25/bbl, Edmonton Par differential – US$7/bbl, AECO – Cdn$1.50/GJ and FX - $0.77 USD/CAD).

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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: drilling, completion and optimization plans for Gear's assets; second half 2018 production growth; the expected closing of the Steppe acquisition and the timing thereof; the expected increase to credit facilities; and the estimated fourth quarter 2018 annualized net debt to funds from operations ratio.

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; the timing of receipt of regulatory, third party, court and Steppe shareholder approvals for the Steppe acquisition; that the increased credit facilities will be entered into in the amounts and terms anticipated which shall be satisfactory to Gear or at all; and the continued availability of adequate debt and equity financing and funds 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.

To the extent that any forward-looking information contained herein may be considered a financial outlook, such information has been included to provide readers with an understanding of management's assumptions used for budgeting and developing future plans and readers are cautioned that the information may not be appropriate for other purposes. 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: completion of the Steppe acquisition could be delayed if parties are unable to obtain the necessary regulatory, stock exchange, shareholder and court approvals on the timeline planned; the Steppe acquisition will not be completed if all of these approvals are not obtained or some other condition of closing is not satisfied; the increase to Gear's credit facilities may be subject to a number of conditions, including the closing of the Steppe acquisition; if an increase to Gear's credit facilities is not provided by Gear's lenders it may prevent the closing of the Steppe acquisition; 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 including in Gear's most current annual information form which is available on SEDAR at www.sedar.com.

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.

NON-GAAP Measures

This press release contains the terms funds from operations, net debt, operating netback and corporate netback, which do not have standardized meanings under Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. Management believes that these key performance indicators and benchmarks are key measures of financial performance for Gear and provide investors with information that is commonly used by other oil and gas companies. Funds from operations is calculated as funds from operating activities before changes in noncash operating working capital and decommissioning liabilities settled. Net debt is calculated as debt less current working capital items, excluding risk management contracts. Operating netbacks are presented both before and after taking into account the effects of hedging and are calculated based on the amount of revenues received on a per unit of production basis after royalties and operating costs. Corporate netbacks are presented after taking into account the effects of hedging and are calculated based on the amount of revenues received on a per unit of production basis after royalties, operating costs, general and administrative expenses, interest and foreign exchange gain or loss. Additional information relating to certain of these non-GAAP measures, including the reconciliation between funds from operations and cash flow from operating activities, can be found in the MD&A.

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 and Other 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 or other future wells will continue production and decline thereafter. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. In addition, Gear has disclosed the cumulative production of wells on certain Gear properties; there is no certainty that other wells on such properties will achieve such production levels. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for Gear.