GEAR ENERGY

NEWS RELEASE

GEAR ENERGY LTD. ANNOUNCES THIRD QUARTER 2018 OPERATING RESULTS

CALGARY, ALBERTA (November 7, 2018) Gear Energy Ltd. ("Gear" or the "Company") (TSX:GXE) is pleased to provide the following third quarter operating update to shareholders. Gear's Interim Financial Statements and related Management's Discussion and Analysis ("MD&A") for the period ended September 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			Nine months ended	
	Sep 30, 2018	Sep 30, 2017	Jun 30, 2018	**Sep 30, 2018**	Sep 30, 2017
FINANCIAL					
Funds from operations (1)	**11,578**	9,960	13,674	**33,329**	28,937
Per weighted average basic share	**0.06**	0.05	0.07	**0.17**	0.15
Per weighted average diluted share	**0.05**	0.05	0.07	**0.17**	0.14
Cash flow from operating activities	**16,831**	9,197	8,596	**40,214**	26,804
Net income (loss)	**706**	(2,705)	(1,869)	**(5,459)**	3,282
Per weighted average basic and diluted share	**-**	(0.01)	(0.01)	**(0.03)**	0.02
Capital expenditures	**18,749**	10,513	6,385	**34,377**	35,458
Net acquisitions (2)	**65,470**	1,635	10	**65,870**	1,695
Net debt (1) (3)	**83,733**	44,568	38,960	**83,733**	44,568
Weighted average shares, basic (thousands)	**198,826**	193,158	195,045	**196,294**	192,975
Weighted average shares, diluted (thousands)	**217,426**	193,158	195,045	**196,294**	209,430
Shares outstanding, end of period (thousands)	**218,776**	194,968	195,213	**218,776**	194,968
OPERATING					
Production					
Heavy oil (bbl/d)	**4,484**	4,054	4,774	**4,497**	3,894
Light and medium oil (bbl/d)	**1,228**	1,290	1,232	**1,219**	1,263
Natural gas liquids (bbl/d)	**268**	279	219	**237**	273
Natural gas (mcf/d)	**4,609**	5,415	4,806	**4,879**	5,316
Total (boe/d)	**6,748**	6,525	7,025	**6,766**	6,316
Average prices					
Heavy oil ($/bbl)	**56.79**	44.00	55.04	**51.89**	43.96
Light and medium oil ($/bbl)	**76.57**	53.12	75.67	**72.37**	57.76
Natural gas liquids ($/bbl)	**35.02**	27.28	40.51	**38.18**	26.51
Natural gas ($/mcf)	**0.93**	1.52	1.08	**1.24**	2.46
Netback ($/boe)					
Commodity and other sales	**53.70**	40.41	52.67	**49.76**	42.05
Royalties	**(7.33)**	(4.50)	(5.06)	**(5.79)**	(4.49)
Operating costs	**(17.69)**	(16.57)	(17.16)	**(16.91)**	(16.89)
Operating netback (1)	**28.68**	19.34	30.45	**27.06**	20.67
Realized risk management (losses) gains	**(6.55)**	0.11	(5.55)	**(5.44)**	(0.61)
General and administrative	**(1.81)**	(2.06)	(2.55)	**(2.39)**	(2.37)
Interest	**(1.05)**	(0.81)	(0.93)	**(0.97)**	(0.84)
Transaction costs	**(0.64)**	-	-	**(0.21)**	-
Other	**0.02**	-	(0.02)	**-**	(0.07)
Corporate netback (1)	**18.65**	16.58	21.40	**18.05**	16.78
TRADING STATISTICS					
($ based on intra-day trading)					
High	**1.47**	0.86	1.37	**1.47**	1.26
Low	**1.00**	0.65	0.68	**0.66**	0.60
Close	**1.17**	0.82	1.35	**1.17**	0.82
Average daily volume (thousands)	**522**	326	820	**603**	377

(1) Funds 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.
(3) Net debt includes the risk management liability acquired through the Steppe Resources Inc. corporate acquisition of $6.2 million (2017 – NIL).

MESSAGE TO SHAREHOLDERS

The third quarter realized very encouraging field results from an active drilling program across the light and heavy oil portfolio. On the heavy oil assets, two step-out multi-lateral wells have successfully de-risked approximately 45 follow-up locations in a new formation in Wildmere and in a new core area in Maidstone. On the light oil assets, the application of extended reach horizontal drilling is continuing to improve the economics in Wilson Creek, and Gear's first ever Cardium horizontal well in Ferrier shows significant future potential. In addition, the close of the acquisition of Steppe Resources Inc. ("Steppe") (the "Steppe Acquisition") further enhances the diversity of Gear's portfolio by providing a new core area with significant future potential and increased the corporate weighting of light oil and natural gas liquids in October to approximately 30 per cent. However, recent challenges in both pricing and egress are expected to temper this operational success through the rest of the year and into early 2019. As of today, the short-term challenges include heavy oil differentials for November and December that have expanded above US$40 per barrel, and light oil differentials and apportionments (primarily in Alberta) that have also expanded materially. There is a line of sight to these issues improving in the next few months as industry continues to announce production shut-ins, (approximately 100,000 barrels per day announced to date), US refinery maintenance ends, domestic inventory levels diminish and crude by rail shipping from Canada continues to increase. In the longer-term, these issues are expected to be resolved by the completion of one, or multiple, new pipeline projects. In the meantime, the team has, and will continue to, proactively react to changes in the macro energy environment to maximize the value of the discovered barrels and maintain a strong balance sheet. Having a strong balance sheet has always been a core strategy at Gear, providing significant ability to be flexible and opportunistic in managing the business. In the current environment, the strong balance sheet supports Gear's ability to defer production and target future increased value and returns on capital.

STEPPE ACQUISITION

- On September 18, 2018, Gear closed the Steppe Acquisition for approximately $66.0 million through a combination of 21.9 million Gear shares and the assumption of approximately $38.6 million of net debt. Steppe's assets consist primarily of a material land position and high netback light oil production of approximately 1,000 boe per day in Southeast Saskatchewan. In conjunction with the close of the Steppe Acquisition, Gear increased its credit facilities from $75 million to $115 million with the next borrowing base review scheduled for the Spring of 2019.

QUARTERLY HIGHLIGHTS

- Completed an active oil drilling program with two to three rigs running through the third quarter of 2018 with 17 (16 net) wells drilled to the end of September, bringing the year to date total to 23 wells at a 96 per cent success rate. During the third quarter, 10 of the new wells were brought on production contributing over 600 barrels per day to the September exit. The remaining seven (six net) wells in Wilson Creek, Ferrier and Wildmere will be brought on production at reduced rates into the fourth quarter. The total productive capacity of the 16 net wells drilled in the third quarter is estimated to be over 1,400 boe per day which would be sold in the fourth quarter if not for the current pricing and egress challenges. Highlights of the successful program include one six leg multi-lateral well into a new formation and two multi-lateral re-entries in Wildmere, one step-out quad-lateral Cummings well in Maidstone, two new multi-stage fractured wells in Hoosier, six McLaren wells in Paradise Hill, three (two net) Basal Belly River wells in Wilson Creek, and one bioturbated Cardium well in Ferrier. In aggregate, the third quarter drilling program has successfully yielded production capability as expected and has also de-risked approximately 45 future drilling locations and a yet to be determined number of future horizontal re-entry opportunities.

- Production of 6,748 boe per day for the third quarter represented a decrease of approximately four per cent from the second quarter as a result of natural declines and shut-ins while drilling and completing adjacent wells, partially offset by the addition of new production later in the quarter and the close of the Steppe Acquisition.

- Realized quarterly funds from operations of $11.6 million, bringing year-to-date funds from operations to $33.3 million which funded almost 100 per cent of the development capital spending to the end of the third quarter. The corporate netback for the quarter came in at $18.65 per boe, a decrease of $2.75 per boe from the prior quarter. The decrease is primarily due to temporarily increased royalties and an escalation of losses on the 2018 risk management positions, with most other costs relatively stable in comparison to the prior quarter.

- Exited the quarter with bank debt borrowings of $66.2 million on Gear's $115 million credit facilities. With an active development drilling program and the assumption of debt associated with the Steppe Acquisition at the end of the third quarter, net debt to trailing 12 month funds from operations was 1.7 times.

2018 GUIDANCE

The Gear team has worked hard through 2018 to unlock significant new reserves that were anticipated to boost fourth quarter production to approximately 9,500 boe per day. However, in light of the current weak pricing environment, that production growth will now be deferred into 2019. In order to maximize the value received for its production and to ensure positive returns on capital invested, an estimated 20 to 30 per cent of forecasted fourth quarter production will be deferred until pricing improves. This will be accomplished by reducing the $50 million development capital guidance by 12 to 14 per cent and delaying approximately five drilling locations until 2019. In addition, approximately 40,000 barrels of heavy oil will be produced and then stored in surface tanks to be sold at a later date, similar to the successful actions taken in the first quarter of 2018. The remaining heavy and light oil volume reductions will be accomplished by slowing down and shutting in wells as required. To take advantage of the relatively stable pricing in southeast Saskatchewan, volumes from the Steppe Acquisition will not be affected by these actions. In aggregate the annual production guidance for 2018 will be reduced by 10 to 12 per cent with some associated minor adjustments in per unit costs. These efforts are focused primarily on maximizing realized revenue, however, they will also assist Gear in maintaining a strong balance sheet. A continued rapid and consolidated effort by Canadian producers to reducing domestic storage levels would go a long way in alleviating the current record pricing discounts and accelerating the forecasted recovery of prices prior to any actual improvements in rail or pipe egress.

A summary of revised 2018 guidance is as follows:

	New 2018 Guidance	**Previous 2018 Guidance**	2018 YTD Actuals
Production – Annual (boe/d)	**6,650 - 6,750**	7,500	6,766
Per cent heavy oil (%)	**65**	64	66
Per cent light/medium oil and NGLs (%)	**25**	25	18
Royalty rate (%)	**12**	11	11.6
Operating costs ($/boe)	**17.25**	15.85	16.91
General and administrative expense ($/boe)	**2.45**	2.25	2.39
Interest expense ($/boe)	**1.20**	0.80	0.97
Capital and abandonment expenditures ($ millions)	**42 - 44**	50	36

FOR FURTHER INFORMATION PLEASE CONTACT:

Ingram Gillmore
President & CEO
403-538-8463
Email: info@gearenergy.com
Website: www.gearenergy.com

David Hwang
Vice President Finance & CFO
403-538-8437

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: Gear's expectations of commodity prices and differentials and trends affecting such commodity prices and differentials; expected future drilling locations associated with a new formation in Wildmere and Maidstone; expected future potential associated with Gear's Cardium drilling; expected productive capacity associated with certain deferred drilling and production; Gear's intent to maximize realized revenue and maintain a strong balance sheet; 2018 updated guidance estimates including expected average 2018 production, expected commodity weightings, royalty rate expectations, operating cost expectations, interest expense expectations and expected capital and abandonment expenditures; the intent to defer development capital spending and production growth into 2019; expectations as to light and heavy oil production to be slowed down, shut-in and/or stored; expectations with respect to availability of transportation, egress and apportionments of light and heavy oil production and trends affecting transportation, egress and apportionments; the expectation to be able to proactively react to changes in the macro environment to maximize the value of the discovered barrels and maintain a strong balance sheet; expected future drilling locations; expected timing for bringing certain wells on production; and Gear's intent to slow down wells or shut them in to defer sale to a time when pricing improves.

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 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: 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.

Drilling Locations

This press release discloses drilling locations associated with a new formation in Wildmere and a new core area in Maidstone. These drilling locations are considered unbooked locations as they currently do not have any associated booked proved or probable reserves. Unbooked locations are internal estimates based on Gear'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. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production, pricing assumptions and reserves information. 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. There is more uncertainty whether wells will be drilled in unbooked locations than in booked locations and if drilled there is more uncertainty that such unbooked locations will result in additional oil and gas reserves, resources or production.