



For Immediate Release

Calgary, Alberta, January 14, 2019

GEAR ENERGY LTD. PROVIDES FIRST HALF 2019 CAPITAL GUIDANCE

Gear Energy Ltd. ("**Gear**") (TSX: GXE) is pleased to provide the following update to shareholders.

FIRST HALF 2019 BUDGET

Gear is pleased to announce a first half 2019 capital budget of \$10 million, targeting a strategic balance between production stability, maximizing revenue, and further improvement of the balance sheet. Management and the Board of Directors of Gear believe that this plan will provide a foundation for growth to follow, pending the anticipated resumption of a more stable Canadian oil pricing environment. Details of the planned investments are as follows;

70% of capital dedicated to drilling two two-mile horizontal light oil Torquay wells in Tableland, SE Saskatchewan.

20% of capital to be invested in undeveloped land, seismic, and other corporate costs.

6% of funds directed towards continued expansion and optimization of waterflood activities initiated in 2018 in Wilson Creek, Killam and Chigwell, Alberta.

4% invested in ongoing abandonment and reclamation activities.

Production for the first half of 2019 is forecast to remain relatively stable, averaging approximately 7,300 - 7,500 boe per day through the first and second quarters. These levels will be supported by a combination of base production, recent 2018 production additions, new capital production in 2019, resumption of production from wells shut-in through the end of 2018 due to pricing, and the sales of oil inventoried in late 2018.

With the current dramatic improvement being seen in Canadian oil pricing relative to November and December of 2018, Gear anticipates that the planned first half \$10 million capital budget will require only 40 to 50 per cent of the estimated funds from operations over the same period. This is forecast to provide a material reduction in the outstanding net debt over the first half of the year, providing additional security and substantial optionality with regards to planning for investment and growth through the second half of 2019. With current forward strip pricing, Gear is expecting to exit the first half of 2019 with a net debt to funds from operations ratio well under two times.

The Gear team intends to remain flexible and opportunistic with regards to this capital plan, keeping a close eye on the commodity market and being prepared to expand or reduce investments if pricing further improves or weakens. In the event that oil prices do stabilize at current levels, or improve into the year, Gear would anticipate taking advantage of its deep inventory of diversified economic drilling locations with the addition of further developments from low-risk proven opportunities such as Wildmere, Lindbergh and Maidstone multi-lateral heavy oil locations, Wilson Creek and Ferrier horizontal light oil locations, and additional light oil locations in Tableland.

The corporate guidance under the current plan is as follows:

	2019 First Half Guidance
Average Production (boe/d)	7,300 – 7,500
Heavy Oil Weighting (%)	59
Light/Medium Oil & NGL Weighting (%)	31
Royalties (%)	10 – 12
Operating and Transportation Costs (\$/boe)	16.00 – 17.00
G&A Costs (\$/boe)	2.10
Interest Costs (\$/boe)	1.70
Capital and Abandonment Expenditures (\$ million)	10

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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: expected details of the first half 2019 capital budget including expected capital expenditures; expectation that the budget will provide a strategic balance between production stability, maximizing revenue, and further improvement of the balance sheet; expectation that the budget will provide a foundation for growth upon the anticipated resumption of a more stable Canadian oil pricing environment; expected production for the first half of 2019; expected percent of funds from operation requires to fund the capital budget; expectation of a material reduction in net debt over the first half of the year and that such reduction will provide additional security and substantial optionality with regards to planning for investment and growth through the second half of 2019; expected net debt to funds from operations ratio at the end of the first half of 2019; Gear's intention to remain flexible and opportunistic with regards to this capital plan; the anticipation that if oil prices do stabilize at current levels, or improve into the year, Gear would develop certain of its drilling opportunities; and guidance relating to the first half of 2019 including expected average production and commodity weighting, royalties, operating and transportations costs, general and administrative costs, interest costs and capital and abandonment 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. 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 and net debt, 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. 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 our most recent management's discussion and analysis, which is available on SEDAR at www.sedar.com.