NEWS RELEASE

GEAR ENERGY LTD. ANNOUNCES FIRST QUARTER 2020 OPERATING RESULTS

CALGARY, ALBERTA (May 6, 2020) Gear Energy Ltd. ("Gear" or the "Company") (TSX:GXE) is providing the following first quarter operating update to shareholders. Gear's Interim Condensed Consolidated Financial Statements and related Management's Discussion and Analysis ("MD&A") for the period ended March 31, 2020 are available for review on Gear's website at www.gearenergy.com and on www.sedar.com.

	Three months ended		
(Cdn$ thousands, except per share, share and per boe amounts)	**Mar 31, 2020**	Mar 31, 2019	Dec 31, 2019
FINANCIAL			
Funds from operations (1)	**6,258**	15,032	13,738
Per boe	**10.20**	24.29	21.68
Per weighted average basic share	**0.03**	0.07	0.06
Cash flows from operating activities	**9,788**	5,981	11,401
Net loss	**(110,215)**	(6,812)	(8,045)
Per weighted average basic share	**(0.51)**	(0.03)	(0.04)
Capital expenditures	**11,099**	9,252	12,603
Decommissioning liabilities settled	**671**	399	889
Net acquisitions (dispositions) (2)	**3**	(1,038)	109
Net debt (1) (3)	**80,261**	85,740	69,752
Weighted average shares, basic (thousands)	**216,715**	219,016	218,365
Shares outstanding, end of period (thousands)	**216,468**	219,044	217,610
OPERATING			
Production			
Heavy oil (bbl/d)	**3,989**	4,148	4,034
Light and medium oil (bbl/d)	**1,775**	1,863	1,763
Natural gas liquids (bbl/d)	**217**	235	269
Natural gas (mcf/d)	**4,582**	3,787	4,935
Total (boe/d)	**6,744**	6,877	6,888
Average prices			
Heavy oil ($/bbl)	**27.58**	52.89	49.17
Light and medium oil ($/bbl)	**50.44**	63.64	64.82
Natural gas liquids ($/bbl)	**10.54**	26.40	22.79
Natural gas ($/mcf)	**1.93**	2.40	2.36
Netback ($/boe)			
Commodity and other sales	**31.24**	51.44	47.97
Royalties	**(3.66)**	(4.33)	(5.52)
Operating costs	**(18.01)**	(18.73)	(17.93)
Operating netback (1)	**9.57**	28.38	24.52
Realized risk management gain (loss)	**4.57**	(0.16)	0.58
General and administrative	**(2.77)**	(2.04)	(2.13)
Interest	**(1.33)**	(1.88)	(1.30)
Transaction costs	**-**	(0.01)	-
Realized gain on foreign exchange	**0.16**	-	0.01
TRADING STATISTICS			
($ based on intra-day trading)			
High	**0.50**	0.73	0.48
Low	**0.08**	0.54	0.26
Close	**0.10**	0.61	0.46
Average daily volume (thousands)	**874**	283	529

(1) Funds from operations, net debt and operating netback are non-GAAP measures and are reconciled to the nearest GAAP measures under the heading "*Non-GAAP Measures*" in Gear's MD&A.

(2) Net acquisitions (dispositions) 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. March 31, 2020 – nil, March 31, 2019 – $2.9 million, December 31, 2019 – nil.

MESSAGE TO SHAREHOLDERS

In January 2020, the West Texas Intermediate ("WTI") benchmark index peaked at US$65 per barrel. Not long after, the COVID-19 pandemic began which impacted the global economy and significantly reduced world oil consumption. In addition, an oil price war erupted between Russia and Saudi Arabia who both began to flood the market with additional oil supply. As a result, oil prices plummeted by over US$100 with WTI hitting a low of *negative* US$37 per barrel in April. Since then, WTI prices have recovered somewhat to current levels around US$23 per barrel. With this modest recovery, the industry and investors appear to be cautiously optimistic that perhaps the worst is behind us. The response from the oil industry has been significant; Canadian and US drilling rig counts are now down by approximately 80 and 60 per cent from 2018 levels respectively and OPEC+ have concluded their price war with a commitment to cut approximately 8 million barrels per day of production through the second half of 2020. In addition to the supply responses, there have been some early encouraging signs on the demand front as well. For the first time since March, total US product supplied (a key indicator of demand) has posted a positive change, global inventories appear to be peaking, and the media is full of headlines regarding a proposed global shift out of the current economic lock-downs. The recent data is certainly more encouraging than it has been for the last seven weeks.

The scale of recent volatility is certainly unprecedented. However, volatility in general is not something that is new to the industry. Just over a year ago the Canadian energy industry experienced a material shock to pricing with differentials being devastated by a localized supply-demand imbalance. During the fourth quarter of 2018, WCS heavy oil prices dropped to $19 per barrel and MSW light oil prices hit a low of $32.50 per barrel. Fortunately, through a combination of supply responses and increased demand, prices had essentially fully recovered by the second quarter of 2019 with those two benchmark prices increasing by 154 and 70 per cent, respectively. Over the same time period, Gear's reported funds from operations increased by over 700 per cent from $2.1 million in the fourth quarter of 2018 to $17.1 million in the second quarter of 2019. History tells us that it is very difficult to predict the scale and timing of any potential price recovery. However, it is encouraging that eventually it has always recovered in the past.

As a result of the current weakness and uncertainty in the price of oil, starting in April Gear chose to shut-in the majority of its production and immediately pursue reductions to the variable costs of the business in an effort to maximize funds from operations. Protection of the corporate balance sheet remains the top priority. All capital investments were halted in early March 2020. In addition, Gear implemented a 20 per cent reduction in the salaries of all permanent employees and in the directors' fees for its non-management directors, as well as an immediate and aggressive production storage and shut-in program. With approximately two-thirds of field operating costs being classified as variable, the current low commodity prices do not financially support production. By limiting field operations, Gear intends to eliminate the variable costs in order to maximize the impact of the forecasted gains on risk management contracts and the resulting funds from operations. Once certain price thresholds are met, production is expected to be restarted with minimal cost. Gear has regulated production levels before in times of low commodity price environments with negligible impact to its oil reservoirs.

QUARTERLY HIGHLIGHTS

- Funds from operations for the first quarter of 2020 was $6.3 million, a decrease of 54 per cent from the fourth quarter of 2019 as a result of significantly lower commodity prices. Realized prices fell from $47.97 per barrel in the fourth quarter to $31.24 per barrel in the first quarter.

- Realized hedging gains of $2.8 million or 45 per cent of the funds from operations. For the remainder of 2020, Gear has hedged 3,200 barrels per day using various swaps, collars, and three-way collar structures.

- Drilled nine successful gross (9 net) wells including; seven heavy oil wells consisting of four single lateral wells in Paradise Hill, two multi-lateral wells in Lindbergh, and one single leg lined well in Frenchman's Butte, all in the Lloydminster area of Alberta; and two medium oil wells consisting of one multi-stage fractured well in Killam and one multi-lateral well in Provost, all in the east central area of Alberta. Two of the Paradise Hill wells remain uncompleted until oil prices recover.

- The new Sparky oil well in Provost is Gear's first well into this medium oil area. The Provost well has produced at an average rate of approximately 150 barrels per day for the first 30 days of production, well above expectations. Wells in this area are typically drilled as multi-stage fractured wells whereas Gear's well was successfully drilled as an unlined multi-lateral horizontal well at a much lower capital cost. Gear has accumulated a total of 8 sections of land in this area and intends to pursue follow-up drilling as soon as prices recover.

- Net loss of $110.2 million primarily as a result of non-cash impairment of $93.9 million on property, plant and equipment due to a material drop in commodity prices and the de-recognition of Gear's $23.3 million deferred tax asset.

- Actual bank debt increased by $2.4 million from December 31, 2019 with Gear drawn $66.6 million on its $90.0 million credit facilities. Net debt increased by $10.5 million primarily as a result of capital and abandonment expenditures exceeding funds from operations for the quarter by $5.5 million and a non-cash impairment of oil inventory of $4.3 million as a result of the drop in oil price. First quarter net debt to quarterly annualized funds from operations was 3.2 times.

- The next semi-annual borrowing base review of Gear's credit facilities is slated to be complete on or about May 31, 2020 with the current maturity date of the credit facilities on May 28, 2021. These credit facilities carry a single financial covenant. As at March 31, 2020, Gear was in compliance with this covenant.

- On April 17, 2020 the Government of Canada, through Export Development Canada and Business Development Bank of Canada, announced that it will make available financial liquidity support to Canada's oil and gas sector in order to help companies ensure a degree of continuity of operations during this period of uncertainty. Eligible companies must have been financially viable prior to COVID-19. The programs also include other stipulations and restrictions. Gear is continuing to explore whether it will be eligible for the programs through active discussions with its lenders.

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: expectation of limiting variable costs to maximize funds from operations; expectation of restarting production with minimal cost once certain price thresholds are met; and the scheduled completion of Gear's semi-annual borrowing base on or about May 31, 2020.

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: the continuing impact of the COVID-19 pandemic; 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; any action taken by Gear's lenders to reduce borrowing capacity or demand repayment under its Credit Facilities; 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 and operating 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 cash flow 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. 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 Production Rates

Any references in this document to initial production (or IP) rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for Gear.

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