

NOT FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES.

[Gear Energy Ltd.](#) ("Gear" or the "Company") (TSX:GXE) is pleased to announce the closing of its previously announced \$25.8 million financing. Pursuant to the financing, Gear has issued and sold through a syndicate of underwriters co-led by GMP Securities L.P. and Peters & Co. Limited: (i) 12,000,000 common shares ("Common Shares") of the Company at a price of \$0.75 per Common Share for gross proceeds of \$9.0 million issued pursuant to a short-form prospectus dated November 23, 2015; (ii) 2,666,700 Common Shares at a price of \$0.75 per Common Share for gross proceeds of approximately \$2.0 million issued on a private placement basis; and (iii) \$14.8 million principal amount of 4.00% convertible unsecured subordinated debentures (the "Convertible Debentures") issued on a private placement basis.

The net proceeds from the financing will initially be used to reduce bank indebtedness, which may be redrawn to fund Gear's 2016 capital expenditure program and for general corporate purposes.

The Convertible Debentures have a maturity date of November 30, 2020 and carry a coupon of 4.00% per annum payable semi-annually in arrears on May 31 and November 30 until maturity, commencing May 31, 2016. The May 31, 2016 interest payment will represent accrued and unpaid interest for the period from the closing date of the financing up to, but excluding, May 31, 2016. The conversion of the Convertible Debentures will require the approval of the shareholders of Gear. Gear intends to seek shareholder approval for conversion of the Convertible Debentures prior to May 31, 2016. Following receipt of shareholder approval (if received), the Convertible Debentures will be convertible at the option of the holder at any time prior to the maturity date at a conversion price of \$0.87 per Common Share such that for every \$1,000 principal amount of Convertible Debentures a holder will receive approximately 1,149.43 Common Shares. Holders converting their Convertible Debentures will be entitled to receive accrued and unpaid interest thereon for the period from the date of the latest interest payment date to, but excluding, the date of conversion. If shareholder approval is not received prior to May 31, 2016 the annual interest rate on the Convertible Debentures will increase to 6.0% per annum.

A current significant shareholder of Gear subscribed for approximately \$11.6 million of Convertible Debentures and all of the Common Shares sold pursuant to the private placement of Common Shares. In addition, directors and officers of Gear purchased approximately \$1.0 million of Common Shares pursuant to the financing.

Concurrent with the closing of the financing, the Company entered into an amended and restated credit agreement for its syndicated demand bank facilities with a new borrowing base of \$60.0 million.

[Gear Energy Ltd.](#) is Canadian energy company focused on the exploration and development of heavy oil weighted production primarily in east central Alberta and west central Saskatchewan. For recent corporate and investor information please access www.SEDAR.com or www.gearenergy.com.

FORWARD LOOKING INFORMATION

Certain information in this news release is forward-looking within the meaning of certain securities laws, and is subject to important risks, uncertainties and assumptions. This forward looking information includes, among other things, expected use of proceeds from the financing and expected timing for Gear to seek shareholder approval for conversion of the Convertible Debentures. The words "future", "may", "could", "targeted", "should", "would", "suspect", "outlook", "believe", "anticipate", "estimate", "expect", "intend", "plan", "target", "potential" and similar words and expressions are used to identify forward-looking information. The forward-looking information in this news release describes the Company's expectations as of the date of this news release. Forward looking information is based on a number of factors and assumptions which have been used to develop such information but which may prove to be incorrect. Although Gear believes that the expectations reflected in such forward looking statements or information are reasonable, undue reliance should not be placed on forward looking statements because Gear can give no assurance that such expectations will prove to be correct. The results or events anticipated or predicted in such forward-looking information may differ materially from actual results or events. Actual results could differ materially from those currently anticipated due to a number of factors and risks including the "Risk Factors" identified in Gear's Annual Information Form dated March 16, 2015 which is available at www.sedar.com. The forward-looking information and statements contained in this news release speak only as of the date of this news release. The Company 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. Readers should not place undue importance on forward-looking information and should not rely upon this information as of any other date.

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