Gear Energy Ltd. Announces Strategic Combination With Striker Exploration Corp.

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A $15 Million Bought Deal Financing, and Pro Forma $50 Million Senior Secured Revolving Credit Facilities

Also Announces Increased 2016 Budget Guidance

CALGARY, June 7, 2016 - Gear Energy Ltd. ("Gear") (TSX:GXE) and Striker Exploration Corp. ("Striker") (TSX VENTURE:SKX) are pleased to announce that they have entered into a definitive agreement (the "Arrangement Agreement") providing for the acquisition by Gear of all the issued and outstanding common shares of Striker (the "Striker Shares") pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) (the "Arrangement"). In addition, Gear has entered into an agreement for a $15 million bought deal financing and has received a term sheet for a *pro forma* $50 million senior secured revolving credit facilities to be provided on closing of the Arrangement. The bought deal financing is not subject to the completion of the Arrangement. In addition, the board of directors of Gear has approved an increase in the capital budget to $12.5 million for 2016 conditional upon completion of the Arrangement.

Combination of Gear and Striker

Under the terms of the Arrangement, Striker shareholders will receive, for each Striker Share held, 2.325 Gear common shares ("Gear Shares"). The aggregate transaction value is approximately $63.7 million based on the bought deal financing price for the Gear Shares as set out below and the assumption of net debt of Striker of $10 million, after taking into account expected Striker transaction costs (including legal, accounting and financial advisory fees), expected proceeds from the exercise of in-the-money options to purchase Striker Shares and severance costs.

Management and the board of directors of both Gear and Striker believe that the combined asset bases will provide significant benefits to Gear shareholders and Striker shareholders. Notably, the Arrangement creates a diversified, stable, low-cost, growth oriented oil company with a strong balance sheet poised for future value creation.

On a *pro forma* basis, the combined company has the following attributes:

Production(1)	6,000 boe/d (84% oil & liquids)
Proved Reserves(2)	14.8 mmboe (81% oil & liquids)
Proved Plus Probable Reserves(2)	27.7 mmboe (80% oil & liquids)
Proved Plus Probable RLI(2)	12.6 years
Drilling Locations(3)	450 locations
Undeveloped Land(4)	177,500 net acres
Outstanding Shares(5)	183.5 million
Fully Diluted Outstanding Shares(5)	185.0 million
Bank Debt Under syndicated Credit Facilities(6)	$38 million
Convertible Debentures(6)	$15 million
Positive Working Capital Estimate(6)	($5 million)
Total Net Debt(5)	$48 million

(1) June 2016 monthly average field estimate.

(2) Gross interest before royalties; based on the independent reserves evaluation of Gear's reserves effective December 31, 2015, prepared by GLJ Petroleum Consultants Ltd. ("GLJ") and dated February 3, 2016 (the "Gear Report") and the independent reserves evaluation of Striker's reserves effective December 31, 2015, prepared by GLJ and dated March 2, 2016 (the "Striker Report"); Reserve Life Index ("RLI") based on June 2016 monthly average field production estimate for Gear and Striker.

(3) Gear internal estimate. See "*Drilling Locations*" in the advisories at the end of this press release.

(4) As estimated at June 30, 2016.

(5) Upon completion of the Arrangement and the bought deal financing, (prior to any exercise of the over-allotment option granted the underwriters).

(6) As estimated at July 31, 2016, including expected transaction costs, option proceeds for exercise of in-the-money options of Striker and assuming the completion of the bought deal financing (prior to any exercise of the over-allotment option granted the underwriters). See "*Non-GAAP Measures*" in the advisories at the end of this press release.

The combination of Gear and Striker provides the combined company with an additional 2,000 boe/d of 60% light and medium oil production, approximately 90 net sections of undeveloped land, a new core focus area in the emerging Belly River light oil resource play and a materially strengthened balance sheet. The combination creates a diversified, low-cost, low-decline, oil-weighted growth company with a deep inventory of approximately 450 economic heavy and light oil drilling opportunities. Upon completion of the Arrangement and the bought deal financing, the combined company will have a strong balance sheet with an estimate of approximately $38 million drawn on the new $50 million credit facilities, providing significant optionality to act upon numerous strategic opportunities that are prevalent during this period of low commodity prices. Under current forward strip oil prices, the combined company is expected to have a run-rate net debt to cash flow ratio of under 1.4 times by July of 2016 and will be capable of growing production by over 10% per year while spending within cash flow. In addition, the management team believes that Striker's light oil assets in Wilson Creek, Thorsby, Chigwell and Brazeau, Alberta are amenable to water flood implementation and/or expansion. This strategic combination builds on the successes of both management teams in their respective areas of operations and the combined company will continue to aggressively target further strategic acquisition opportunities within the existing and new core areas.

The Gear team concluded 2015 development activity with a 100% success rate on its drilling program and record capital efficiencies. In 2016, Gear is forecasting to expand upon that success with a strongly economic 10 well horizontal heavy oil program to be initiated in July 2016. After reporting record low operating costs and royalties in the first quarter of 2016, Gear is excited to now apply these operating and capital efficiencies to a more diversified asset base that results from the business combination with Striker. Striker's flagship Wilson Creek asset is synergistic with Gear's expertise in economically developing vertical resource plays with horizontal technology. Over half of the approximate 50 drilling locations currently recognized from Striker are Basal Belly River horizontal locations in Alberta. These locations are forecast to provide economics that are competitive, and in some cases are expected to be superior, to the existing inventory of Gear's organic opportunities.

Gear's management team, led by Ingram Gillmore, President and Chief Executive Officer, will manage the combined company. Gear is also pleased to announce that three current directors of Striker; Neil Roszell, President and Chief Executive Officer of Raging River Exploration Inc., John O'Connell, Chairman and Chief Executive Officer of Davis-Rea Ltd. and Kevin Olson, President of Kyklopes Capital Management Ltd. are expected to join the board of directors of Gear upon completion of the Arrangement. Additionally, in connection with the completion of the Arrangement, Mr. Greg Bay, President of Cypress Capital Management Ltd. will be retiring from the board of directors of Gear. Assuming the exercise of all of the in-the-money options of Striker, the cancellation of all of the out-of-the money options of Striker and warrants of Striker (excluding 650,000 warrants of Striker held by certain directors of Striker who will be appointed to the board of directors of Gear at the effective time of the Arrangement that will remain in place following the completion of the Arrangement) and closing of the financing (before any exercise of the over-allotment option granted to the underwriters), there will be approximately 183.5 million Gear Shares issued and outstanding (185.0 million Gear Shares on a fully-diluted basis, including all in the money dilutives) and Gear shareholders will hold approximately 58% of the pro forma company's shares and Striker shareholders will hold 42% of the pro forma company's shares following completion of the Arrangement.

The board of directors of Striker has, based upon, among other things, a verbal fairness opinion from FirstEnergy Capital Corp., unanimously approved the Arrangement and the entering into of the Arrangement Agreement, determined that the Arrangement is in the best interests of Striker and its shareholders and recommends that Striker shareholders vote in favour of the Arrangement. All directors and officers of Striker, and certain shareholders of Striker, representing approximately 33.2% of the issued and outstanding Striker Shares, have entered into support agreements with Gear pursuant to which they have agreed to vote their Striker Shares in favour of the Arrangement.

The board of directors of Gear has, based upon, among other things, a verbal fairness opinion from Peters & Co. Limited, unanimously approved the Arrangement and the entering into of the Arrangement Agreement, determined that the Arrangement is in the best interests of Gear and recommends that Gear shareholders vote in favour of the issuance of the Gear Shares pursuant to the Arrangement. All of the directors and officers of Gear, and certain shareholders of Gear, representing approximately 7.0% of the issued and outstanding Gear Shares have entered into agreements with Striker pursuant to which they have agreed to vote their Gear Shares in favour of the issuance of the Gear Shares to be issued pursuant to the Arrangement.

Arrangement Agreement

Pursuant to the Arrangement Agreement, Gear and Striker have agreed that the Arrangement will be completed by way of plan of arrangement under the *Business Corporations Act* (Alberta).

The Arrangement Agreement provides for non-solicitation covenants, subject to the fiduciary obligations of the board of directors of Striker, and the right of Gear to match any Superior Proposal (as defined in the Arrangement Agreement) within 72 hours. The Arrangement Agreement provides for mutual non-completion fees of $1.8 million in the event that the Arrangement is not completed or is terminated by either party in certain circumstances.

The Arrangement Agreement provides that the completion of the Arrangement is subject to certain conditions, including the receipt of all required regulatory approvals, including the approval of the Toronto Stock Exchange, the approval of the holders of Gear Shares, the approval of holders of Striker Shares including the approval of disinterested Striker shareholders, and the approval of the Court of Queen's Bench of Alberta.

A joint management information circular outlining the details of the Arrangement Agreement and the Arrangement will be mailed to the holders of Striker Shares and Gear Shares in June 2016 for meetings to be held in July 2016 where holders of Striker Shares will vote on the Arrangement and holders of Gear Shares will vote on the issuance of Gear Shares pursuant to the Arrangement. Closing of the Arrangement is expected to occur in July 2016.

Gear Financing

Concurrently with entering into the Arrangement Agreement, Gear entered into a bought deal financing agreement with Peters & Co. Limited on behalf of a syndicate of underwriters. Pursuant to the financing, Gear will issue 21.4 million Gear Shares at a price of $0.70 per Gear Share for gross proceeds of $15.0 million. Gear has also granted the underwriters an option to purchase up to an additional 3.2 million Gear Shares at a price of $0.70 per Gear Share to cover over-allotments, exercisable in whole or in part at any time until 30 days after the closing date of the financing. The maximum gross proceeds that could be raised under the financing is approximately $17.3 million should the over-allotment option be exercised in full. Certain directors and officers of Gear and Striker and their associates have indicated their intention to participate in the Gear financing by investing approximately $3.0 million, representing approximately 19.3% of the gross proceeds (approximately 17% if the over-allotment is exercised in full).

The net proceeds from the financing will initially be used to repay outstanding bank indebtedness thereby freeing up borrowing capacity which may be used to fund a portion of the combined company's ongoing capital program and for working capital purposes.

The financing will be completed by way of short form prospectus to be filed in certain provinces of Canada and on a private placement basis in the United States pursuant to exemptions from the registration requirements of the U.S. Securities Act of 1933, as amended. The financing is subject to normal regulatory approvals and is expected to close on or about June 29, 2016. Completion of the bought deal financing is not conditional on the closing of the Arrangement.

New Credit Facilities

Gear has also entered into a term sheet with Alberta Treasury Branches on behalf of a syndicate of lenders in respect to a new credit agreement expected to be entered into concurrently with closing of the Arrangement (and subject to the closing of the Arrangement). The term sheet contemplates that the credit agreement will provide Gear with new $50,000,000 senior secured revolving credit facilities, consisting of a $42,500,000 syndicated credit facility and a $7,500,000 operating credit facility. The credit facilities are expected to be available on a fully revolving basis until May 31, 2017. The borrowing base under the credit facilities will be subject to a semi-annual borrowing base review. The new credit facilities are expected to be available following closing of the Arrangement to finance Gear's ongoing capital expenditures and for general corporate purposes. Concurrently with closing of the Arrangement, it is anticipated that both Gear's existing credit facilities and Striker's existing credit facilities will be repaid in full and terminated.

Revised 2016 Capital Budget and Guidance

Conditional upon the completion of the Arrangement, the board of directors of Gear has approved an increase in the 2016 capital budget to $12.5 million to allow for the addition of two Wilson Creek Basal Belly River light oil horizontal wells to the annual program. These wells will be added to the 10 low risk, horizontal heavy oil wells already approved for development. Conditional upon completion of the Arrangement, Gear's revised guidance for 2016 is as follows:

	Revised 2016 Guidance	Previous 2016 Guidance
Production (boe/d)	5,250	4,000
Percent oil and liquids (%)	88	95
Royalty rate (%)	11	10
Operating costs ($/boe)	14.00 - 16.00	15.50 - 16.50
G&A, net of deal transaction costs ($/boe)	2.80	2.95
Interest expense ($/boe)	1.25	1.50
Capital expenditures ($ millions)	12.5	10
Net debt to cash flow (x)	1.5	

Financial Advisors

Peters & Co. Limited is acting as financial advisor to Gear with respect to the Arrangement and has provided the board of directors of Gear with its verbal opinion that, subject to the assumptions, limitations and qualifications set forth therein and review of the final form of the documents effecting the Arrangement, the consideration to be paid to Striker shareholders pursuant to the terms of the Arrangement is fair, from a financial point of view, to the Gear shareholders.

FirstEnergy Capital Corp. is acting as financial advisor to Striker with respect to the Arrangement. FirstEnergy Capital Corp. provided a verbal opinion to the board of directors of Striker that, as at the date hereof and subject to the assumptions, limitations and qualifications set forth therein and review of final documentation effecting the Arrangement, the consideration to be received by Striker shareholders pursuant to the Arrangement is fair, from a financial point of view, to shareholders of Striker.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The securities issued pursuant to the Arrangement and/or the financing described herein may not be offered or sold in the United States absent registration or applicable exemption from the registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Advisories

Forward-Looking Statements: This press release contains forward-looking statements. More particularly, this press release contains statements concerning the proposed Arrangement including the impact of the Arrangement on Gear and Gear's plans, the timing and anticipated dates for mailing the joint management information circular to shareholders of Gear and Striker and the shareholder meetings to consider the same and other matters relating to the Arrangement, the anticipated receipt of all Court and regulatory approvals in respect of the Arrangement, the satisfaction of all parties to the conditions to closing of the Arrangement, the anticipated closing time of the Arrangement, anticipated Arrangement value, the effect of the Arrangement, including the anticipated 2016 combined production, estimated proved reserves, estimated proved plus probable reserves, estimated proved plus probable reserves life index, estimated future drilling locations, expected run rate net debt to cash flow, estimated undeveloped land and estimated net debt, all as at June 2016, the ability to use water floods for the assets of Striker being acquired, the drilling opportunities with respect to Striker's inventory including the expected economics related thereto, the expected composition of the board of directors of Gear following completion of the Arrangement, the expected treatment of the securities of Striker in connection with the Arrangement, expected timing for closing the financing, expected terms of the financing, expected use of proceeds from the financing, expected closing date of the financing, expected terms and availability of the new credit facilities upon closing of the Arrangement and the repayment of the current credit facilities of Gear and Striker upon completion of the Arrangement, and Gear's revised 2016 capital budget and guidance, including the addition of the drilling of two light oil horizontal wells in 2016, 2016 heavy oil prices and differentials, expected 2016 royalty rates, expected 2016 operating costs,

expected 2016 general and administrative costs, expected 2016 interest and intention of Gear management to build value by continuing to operate effectively within the current oil price environment.
Certain forward-looking statements are based on certain key expectations and assumptions made by Gear's management, including among others, the timing of receipt of regulatory and shareholder approvals for the Arrangement; the ability of Gear to execute and realize on the anticipated benefits of the Arrangement; receiving all necessary approvals for closing of the financing; the satisfaction of all conditions for closing of the financing; that the new credit facilities will be entered into in the amounts and terms anticipated which shall be satisfactory to Gear and Striker, or at all; expectations and assumptions concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures and carrying out planned activities; the timing, location and extended future drilling locations; the state of the economy and the exploration and production business; results of operations; performance; availability of labour and services; the impact of increasing competition; the ability to market oil and natural gas successfully; the ability of Gear to access capital as may be required; and the other assumptions identified herein. Although Gear believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them because Gear can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties, some of which are beyond Gear's control.

Completion of the Arrangement could be delayed if parties are unable to obtain the necessary regulatory, stock exchange, shareholder and court approvals on the timeline planned. The Arrangement will not be completed if all of these approvals are not obtained or some other condition of closing is not satisfied. Accordingly, there is a risk that the Arrangement will not be completed within the anticipated time or at all. The closing of the financing could be delayed if Gear is not able to obtain the necessary stock exchange and other regulatory approvals on the timelines it has planned and the intended use of the net proceeds of the financing might change if the board of directors determines that it would be in the best interests of Gear to deploy the proceeds for some other purpose. Pursuant to the terms of the term sheet in relation to the new credit agreement, the lenders are under no commitment to finance and, in addition, any financing will be subject to a number of conditions, including the closing of the Arrangement. If the credit agreement is not entered into it may impact Gear's ability to continue to fund its operations and may prevent the closing of the Arrangement as it is a condition of the Arrangement that the credit agreement be entered into on substantially the terms provided for in the term sheet. If the Arrangement does not close, or the new credit agreement is not entered into for any other reason, there is no certainty that credit will continue to be available under Gear's existing credit facilities as the lenders may reduce the borrowing base under the existing credit facilities or demand repayment of all or a portion of the amounts outstanding under such credit agreement. Other risks include risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets and other economic and industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling services, incorrect assessment of value of acquisitions and failure to realize the benefits therefrom, delays resulting from or inability to obtain required regulatory approvals, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources and economic or industry condition changes. Actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Gear will derive therefrom. Additional information on these and other factors that could affect Gear are included in reports on file with Canadian securities regulatory authorities that may be accessed through the SEDAR website (www.sedar.com) or at Gear's website www.gearenergy.com. To the extent that any forward-looking information presented herein constitutes future-oriented financial information or a financial outlook such information has been presented to provide management's expectations used for budgeting and planning purposes based on the assumptions presented herein and such information may not be appropriate for other purposes. The forward-looking statements contained in this press release are made as of the date hereof and Gear undertakes no obligations to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Non-GAAP Measures: This news release contains the terms "net debt" and "cash flow", which do not have a standardized meaning prescribed by Canadian Generally Accepted Accounting Principles ("GAAP") and, therefore, may not be comparable with the calculation of similar measures by other companies. These measures have been described and presented in this news release in order to provide readers with additional information regarding Gear's liquidity and its ability to generate funds to finance its operations. Net debt in this news release is estimated as debt less current working capital items, excluding risk management contracts, and after taking into account expected proceeds from the financing, expected proceeds from the exercise of in-the-money options to purchase Striker Shares and anticipated transaction costs (including *severance), in each case calculated in accordance with GAAP. Cash flow (or cash flow from operations) is defined as cash flow from operating activities before changes in non-cash operating working capital and decommissioning liabilities settled. Gear evaluates its financial performance primarily on cash flow from operations and considers it a key measure as it demonstrates its ability to generate the cash flow necessary to fund our capital program and repay debt. For additional details relating to these non-GAAP measures see Gear's most recent management's discussion and analysis.*

Barrels of Oil Equivalent: Disclosure provided herein in respect of barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. 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 on a 6:1 basis may be misleading as an indication of value.

Oil and Gas Metrics: This press release contains a number of oil and gas metrics, including reserves life index, which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies. Such metrics have been included herein to provide readers with additional measures to evaluate Gear's performance; however, such measures are not reliable indicators of the future performance of Gear and future performance may not compare to the performance in previous periods. Reserves life index is calculated by dividing the reserves in each category by the average annual production for that period.

Drilling Locations: This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from either the Gear Report or the Striker Report and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on the combined company'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. Of the 450 drilling locations of the combined company identified herein, 67.2 are proved locations, 79.4 are probable locations and 303.4 are unbooked locations. 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. There is no certainty that Gear will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. 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. While the majority of Gear's unbooked locations are extensions or infills of the drilling patterns already recognized by the independent evaluator, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Selected Definitions: The following terms used in this press release have the meanings set forth below:

"boe" means barrel of oil equivalent of natural gas and crude oil on the basis of 1 boe for six thousand cubic feet of natural gas (this conversion factor is and industry accepted norm and is not based on either energy content or current prices)

"mmboe" means million barrels of oil equivalent

"Mcf" means thousand cubic feet

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