

# Gear Energy Ltd. Announces 42 Per Cent Increase in Year-End Reserve Value and 249 Per Cent Replacement of 2013 Production

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CALGARY, ALBERTA--(Marketwired - Mar 4, 2014) - [Gear Energy Ltd.](#) ("Gear" or the "Company") (TSX:GXE) is pleased to present the results and analysis of its 2013 year-end independent reserve report.

## HIGHLIGHTS

- Achieved finding, development and acquisition ("FD&A") costs of \$17.84 per proved plus probable ("P+P") boe, including changes in future development costs ("FDC"), which resulted in a Company recycle ratio of 1.8 times. FD&A costs decreased by 26 per cent from 2012. FDC costs increased marginally on a P+P basis as the undeveloped oil wellcount year over year increased from 75 to 91 booked locations.
- Increased the net present value discounted at 10 per cent ("NPV10") of proved plus probable reserves by 42 per cent to \$274 million and proved reserves by 43 per cent to \$182 million. On a per debt adjusted share basis, the increases were 31 per cent and 34 per cent, respectively.
- Added 3,706 mboe of P+P reserves and replaced the equivalent of 249 per cent of 2013 total production. Gear drilled a total of 47 gross (42 net) wells at a 98 per cent success rate including successfully drilling three future development areas.
- Increased proved plus probable reserve volumes by 17 per cent to 15,655 mboe (84 per cent oil and NGLs) and proved reserves by 23 per cent to 8,941 mboe (87 per cent oil and NGLs). On a per debt adjusted share basis, the increases were 8 per cent and 14 per cent, respectively. The reserve value increase was greater than the reserves volume increase due to higher liquids weighting. In addition, despite lower benchmark price forecasts, Gear's netback has improved due to new well royalty incentives, access to stronger oil markets through rail-based marketing strategies, and a continuous focus on both capital efficiencies and operating costs.
- Increased Company P+P net asset value by 27 per cent from \$3.34 per share in 2012 to \$4.23 per share in 2013.
- Maintained a steady reserve life index ("RLI") at 8.1 years compared to 8.0 years in 2012 using proved plus probable reserves.

## RESERVES SUMMARY

Year-end 2013 reserves were evaluated by independent reserves evaluator GLJ Petroleum Consultants ("GLJ") in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). A reserves committee, comprised of independent board members, reviews the qualifications and appointment of the independent reserves evaluator and reviews the procedures for providing information to the evaluators. The reserves evaluation was based on GLJ forecast pricing and foreign exchange rates at January 1, 2014. Reserves included herein are stated on a company interest basis (working interest before deduction of royalties including any royalty interests) unless noted otherwise. Additional reserves information required under NI 51-101 will be included in Gear's Annual Information Form to be filed on SEDAR on or before March 31, 2014.

The following tables outline Gear's reserves as at December 31, 2013. No provision for interest, debt service charges and general and administrative expenses have been made and it should not be assumed that the NPV estimated by GLJ represents the fair market value of the reserves.

**Reserves summary at Dec 31, 2013 using GLJ January 1, 2014 forecast prices and costs**

Company Interest	Heavy Oil (mbbls)	NGL's (mbbls)	Natural Gas Equivalent (mmcft)	(mboes)	Liquids ratio (%)
Proved Developed Producing	5,375	10	1,579	5,649	95
Proved Non-Producing & Undeveloped	2,307	61	5,543	3,291	72
Total Proved	7,682	71	7,122	8,941	87
Total Probable	5,160	161	8,359	6,715	79
<b>Total Proved plus Probable</b>	<b>12,843</b>	<b>233</b>	<b>15,481</b>	<b>15,655</b>	<b>84</b>

**Net present value of future revenues before income taxes under forecast prices and costs**

Company Interest (\$ thousands)	Undiscounted	Discounted @ 5%	Discounted @ 10%	Discounted @ 15%	Discounted @ 20%
Proved Developed Producing	186,007	163,185	145,450	131,459	120,200
Proved Non-Producing & Undeveloped	60,416	46,544	36,281	28,549	22,592
Total Proved	246,422	209,728	181,732	160,008	142,792
Total Probable	173,129	123,887	92,310	71,010	56,006
<b>Total Proved plus Probable</b>	<b>419,551</b>	<b>333,615</b>	<b>274,041</b>	<b>231,017</b>	<b>198,798</b>

**Future development costs ("FDC") under forecasted prices and costs**

(\$ thousands)	Proved	Probable	Total
2014	39,761	8,795	48,556
2015	14,245	39,840	54,085
2016	156	8,157	8,313
Subsequent years	406	187	592
Undiscounted total	54,567	56,979	111,546
Discounted at 10%	50,533	49,391	99,924

**Efficiency Ratios**

The following table highlights annual capital efficiency through finding and development ("F&D") and finding, development and acquisition per boe metric as well as a recycle ratio metric. Gear has steadily improved its F&D, FD&A, and recycle ratio metrics for the last three years.

	2013		2012	
	Proved plus		Proved plus	
	Proved	Probable	Proved	Probable
Reserves additions (mboes)	3,157	3,706	1,725	3,498
Total capital spending (\$ thousands)	53,466	53,466	45,505	45,505
Total net dispositions (\$ thousands)	(92)	(92)	1,750	1,750
Change in FDC (\$ thousands)	18,889	12,633	2,486	37,381
F&D costs before FDC per boe	16.97	14.45	27.50	14.62
F&D costs with FDC per boe	22.95	17.86	28.97	24.75
FD&A costs before FDC per boe	16.94	14.43	27.39	13.51
FD&A costs with FDC per boe	22.92	17.84	28.84	24.23
Recycle ratio (F&D with FDC)	1.4	1.8	1.0	1.2
Recycle ratio (FD&A with FDC)	1.4	1.8	1.0	1.2

**Reserves life Index**

Company Interest using GLJ production rates (years)	2013	2012	2011
Total Proved	5.1	5.4	5.1
Total Proved plus Probable	8.1	8.0	7.6

**Net Asset Value ("NAV") at December 31,**

(\$ millions, except per share amounts)	2013	2012	2011
Value of Company interest Proved plus Probable Reserves discounted at 10% (Before Tax)	274.0	193.1	165.3

Value of Company interest Proved plus Probable Reserves discounted at 10% (Before Tax) 274.0 193.1 165.3

Undeveloped Lands	7.5	12.1	9.8
Seismic	12.4	11.9	9.2
Deferred tax asset	12.6	13.4	14.3
Risk management contracts	(2.1 )	(0.1 )	(1.5 )
Net debt	(67.1 )	(47.9 )	(33.8 )
Decommissioning liability	(9.1 )	(2.4 )	(4.5 )
NAV	228.2	180.1	158.8
Shares outstanding (millions)	54.0	53.9	52.7
NAV per share	4.23	3.34	3.01

**ADVISORY ON FORWARD-LOOKING 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", "continue", "estimate", "may", "will", "should", "believe", "plans", "cautions" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the forgoing, this press release contains statements concerning Gear's netback improvements as a result of its focus on capital efficiencies and operating costs and the expected filing date of Gear's annual information form for the year ended December 31, 2013.

Forward-looking statements or information are based on a number of material factors, expectations or assumptions of Gear which have been used to develop such statements and information but which may prove to be incorrect. 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. In particular, in addition to other factors and assumptions which may be identified herein, no assurances can be given respecting: whether Gear's exploration and development activities will be successful or that material volumes of petroleum and natural gas reserves will be encountered, or if encountered can be produced on a commercial basis; that additional drilling operations will be successful such that further development activities is warranted; that Gear's efforts to raise additional capital will be successful; that Gear will continue to conduct its operations in a manner consistent with past operations; results from drilling and development activities will be consistent with past operations; the accuracy of the estimates of Gear's reserve volumes; the general stability of the economic and political environment in which Gear operates; drilling results; field production rates and decline rates; the general continuance of current industry conditions; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Gear to secure adequate product transportation; future commodity prices and heavy oil differentials; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Gear operates; and the ability of Gear to successfully market its oil and natural gas products.

Further, events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of Gear, including, without limitation: changes in commodity prices and heavy oil differentials; 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, unfavourable 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 disclosure documents. Additional information regarding some of these risk factors may be found under "Risk Factors" in Gear's (final) long form prospectus dated November 13, 2013 and will be included in Gear's annual information form for the year ended December 31, 2013. The reader is cautioned not to place undue reliance on this forward-looking information. 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.

**ADVISORY ON USE OF "BOEs":** "BOEs" may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (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 ADVISORY:** The reserves information contained in this press release has been prepared in

accordance with NI 51-101. Complete NI 51-101 reserves disclosure will be included in Gear's annual information form for the year ended December 31, 2013 as required under NI 51-101, which is expected to be filed on or before March 31, 2014. Listed below are cautionary statements applicable to our reserves information that are specifically required by NI 51-101:

- Individual properties may not reflect the same confidence level as estimates of reserves for all properties due to the effects of aggregation.
- With respect to finding and development costs, the aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserve additions for that year.
- This press release contains estimates of the net present value of Gear's future net revenue from the Company's reserves. Such amounts do not represent the fair market value of the Company's reserves.
- Reserves included herein are stated on a company interest basis (before royalty burdens and including royalty interests) unless noted otherwise as well as on a gross and net basis as defined in NI 51-101. "Company interest" is not a term defined by NI 51-101 and as such the estimates of Company interest reserves herein may not be comparable to estimates of "gross" reserves prepared in accordance with NI 51-101 or to other issuers' estimates of company interest reserves.

**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 an industry accepted norm and is not based on either energy content or current prices)

"Mbbl" means thousand barrels

"Mboe" means 1,000 barrels of oil equivalent

"Mmcf" means one million cubic feet

"NGL" means natural gas liquids

## Contact

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