Gear Energy Ltd. Announces First Quarter 2019 Operating Results and 2019 Budget

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CALGARY, May 8, 2019 - Gear Energy Ltd. ("Gear" or the "Company") (TSX:GXE) is pleased to provide the following operating update and 2019 budget to shareholders. Gear's Interim Consolidated Financial Statements and related Man Discussion and Analysis ("MD&A") for the period ended March 31, 2019 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, 2019	Mar 31, 2018	Dec 31, 2018
FINANCIAL			
Funds from operations (1)	15,032	8,078	2,089
Per weighted average basic share	0.07	0.04	0.01
Cash flows from operating activities	5,981	14,787	1,538
Net (loss) income	(6,812)	(4,294)	10,553
Per weighted average basic share	(0.03)	(0.02)	0.05
Capital expenditures	9,252	9,243	9,482
Decommissioning liabilities settled	399	889	1,401
Net (dispositions) acquisitions (2)	(1,038)	390	302
Net debt (1) (3)	85,740	45,330	91,908
Weighted average shares, basic (thousands)	219,016	194,968	219,013
Shares outstanding, end of period (thousands)	219,044	194,968	219,015
OPERATING			
Production			
Heavy oil (bbl/d)	4,148	4,231	4,064
Light and medium oil (bbl/d)	1,863	1,197	1,834
Natural gas liquids (bbl/d)	235	223	267
Natural gas (mcf/d)	3,787	5,229	4,091
Total (boe/d)	6,877	6,522	6,847
Average prices			
Heavy oil ($/bbl)	52.89	42.97	22.45

Light and medium oil ($/bbl)	63.64	64.53	46.68
Natural gas liquids ($/bbl)	26.40	39.74	23.95
Natural gas ($/mcf)	2.40	1.66	1.45
Netback ($/boe)			
Commodity and other sales	51.44	42.42	27.64
Royalties	(4.33)	(4.95)	(3.44)
Operating costs	(18.73)	(15.83)	(17.13)
Operating netback [(1)]	28.38	21.64	7.07
Realized risk management loss	(0.16)	(4.15)	(0.90)
General and administrative	(2.04)	(2.83)	(1.18)
Interest	(1.88)	(0.92)	(1.50)
Transaction costs	(0.01)	-	(0.19)
Other	-	0.02	0.02
Corporate netback [(1)]	24.29	13.76	3.32

TRADING STATISTICS

($ based on intra-day trading)			
High	0.73	1.01	1.23
Low	0.54	0.66	0.44
Close	0.61	0.70	0.57
Average daily volume (thousands)	283	458	558

(1) Funds from operations, net debt, operating netback and corporate 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 (dispositions) acquisitions 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, 2019 - $2.9 million, March 31, 2018 - nil, December 31, 2018 - $4.5 million.

MESSAGE TO SHAREHOLDERS

After a volatile fourth quarter of 2018, the Company was able to achieve a solid first quarter in 2019. As previously guid came in to 2019 with the intention of being prudent in light of ongoing uncertainty inside and outside of the industry. Ou was to maintain stable production through the first half of the year, balance production towards a lighter barrel and subs reduce outstanding net debt. After a successful first quarter, the results are definitely moving in the anticipated directio is down seven per cent, production has been reasonably stable amid ongoing apportionment challenges, pricing contin strong, and the market environment is lining up to provide a solid second quarter. Over the last few months, Gear's Boa Directors (the "Board") reviewed multiple capital scenarios for the remainder of 2019, and in the end reaffirmed a contir the current strategy. The goals will remain the same: keep production stable while spending within funds from operatio light oil weighting, and continue to reduce net debt while we monitor external factors looking for more stability with rega egress, prices, and politics.

As noted in Gear's 2019 Management Information Circular for the annual and special shareholder meeting, Mr. Raymo be retiring from the Board, effective today. Mr. Cej joined Gear's Board in 2013 and has provided valuable counsel, exp direction to Gear for many years. The Board and the rest of the team at Gear would like to sincerely thank Mr. Cej for a contributions and wish him all the best in his retirement.

QUARTERLY HIGHLIGHTS

- Achieved an operating netback of $28.38 per boe, a substantial improvement over both the first quarter and fourt 2018. The improved netback was the result of increased light oil weighting and stronger pricing, with WCS heavy differentials falling to below US$10 per barrel and MSW and LSB light oil differentials falling to below US$4 per ba February and March 2019.

- Realized a corporate netback of $24.29 per boe and generated $15.0 million of funds from operations, an 86 per increase in funds from operations over the first quarter of 2018 and a 620 per cent increase over the fourth quarte

- Drilled two successful multi-stage frac Torquay oil wells in Tableland, Southeast Saskatchewan. These wells wer miles in length and came in on budget at $3.3 million each. Average production over the first 30 days was a comb 412 barrels per day of high quality high netback light oil in an area with no pipeline restrictions. The two wells cam the quarter, contributing approximately 55 barrels per day to the first quarter average. The wells continue to recov and will be optimized throughout the second quarter.

- In the fourth quarter of 2018, Gear successfully fracture stimulated and initiated production from a Cardium well i Unfortunately, during the majority of the first quarter, the well did not produce as a result of a third-party gas pipel Prior to shut-in, the well produced an average of 630 boe per day (80 per cent liquids) over the first 30 days of pr The well is expected to resume production in May 2019.

- Reduced corporate net debt by seven per cent to $85.7 million during the quarter as a result of underspending fu operations by only investing $9.3 million of capital and divesting $1.1 million of non-core assets. Net debt is forec continue decreasing with minimal capital spending planned for the second quarter.

2019 BUDGET

Gear intends to reduce outstanding net debt by approximately 25 per cent through the first half of 2019. The plan after to spend within funds from operations for the second half of the year. With current strip pricing, the result is a planned abandonment program of $42.5 million for the year. Gear will target a relatively flat production profile through the rest o and a total annual forecasted reduction in net debt of approximately $30 million. The associated 2019 forecast for net d from operations is approximately 1.0 times.

Gear will closely monitor pricing, egress, and political indicators throughout the year and will consider adjusting capital appropriate. Inclusive of activity to date, the budget expenditures are anticipated to be as follows:

- Tableland light oil: drill 5 wells utilizing approximately 38 per cent of the capital program
- Heavy oil multi-laterals: drill 11 wells, approximately 31 per cent of the capital program
- Central Alberta light oil: drill 2 wells, approximately 11 per cent of capital
- Abandonments: approximately 7 per cent of capital
- Recompletions, land, seismic, waterfloods and other: approximately 13 per cent of capital

Capital is forecast to be invested through the year in a more balanced manner than has been historically employed. Ap 20 per cent of the capital was deployed in the first quarter, with an estimated 5 per cent in the second quarter, 45 per c third quarter and 30 per cent in the fourth quarter. As a result of this allocation, production should remain relatively stab range of 7,000 boe per day over the year. However, as a result of the increased focus on light oil drilling in 2019, the fo per cent annual liquids will shift from 27 per cent light and medium oil in 2018 to 38 per cent light and medium oil in 201 addition to the increased light oil weighting is a slightly higher per unit estimate for 2019 operating costs, primarily as a increased well servicing associated with shut-in wells and third-party related downtime on light oil wells.

In aggregate this plan is expected to deliver a combination of stable production per debt adjusted share relative to 201 estimated 30 per cent reduction in outstanding net debt, and an approximate doubling of forecasted funds from operati adjusted share relative to 2018. (Assuming US$61.50WTI, 0.75 FX, and US$15 WCS differential).

Current guidance for 2019 is as follows:

	2019 Full Year Guidance
Average production (boe/d)	6,800 – 7,100
Heavy oil weighting (%)	56
Light/medium oil & NGLs weighting (%)	34
Royalty rate (%)	11
Operating and transportation costs ($/boe)	18.00
General and administrative expense ($/boe)	2.00
Interest expense ($/boe)	1.50
Capital and abandonment expenditures ($ million)	42.5

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: second quarter optimization of the two new Tableland wells; the resumption of production of the Ferrier Cardium well in May 2019; net debt decrease in the second quarter of 2019; future drawings of Gear's credit facilities; the number of wells to be drilled in 2019 by area; 2019 capital forecast allocation; 2019 production forecast; 2019 production product weighting; the estimated net debt reduction in 2019; and the expected percentage of net debt reduction in the first half of 2019; the expectation of spending within funds from operations for the second half of 2019; the expected details of the 2019 capital and abandonment program included the expected budgeted expenditures and the timing thereof; the expectation to maintain a relatively flat production profile through the rest of 2019; the expected amount of net debt reduction in 2019 and the 2019 forecast for net debt to funds from operations; management's intent to closely monitor pricing, egress, and political indicators throughout the year to remain flexible to adjust capital as appropriate; the expectation that the 2019 budget will result in stable production per debt adjusted share relative to 2018, an estimated 30 per cent reduction in outstanding net debt, and an approximate doubling of forecasted funds from operations per debt adjusted share relative to 2019; expected assumptions for 2019 as to royalties, G&A costs and interest costs; and Gear's expectation of the amount of net debt reduction in the second quarter of 2019.

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: 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, net debt, operating netback and corporate 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. Corporate netbacks are presented 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, operating costs, general and administrative expenses, interest and foreign exchange gain or loss. 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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