GEAR ENERGY LTD.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
As at

(Cdn$ thousands)		**September 30, 2019**		December 31, 2018
ASSETS				
Current assets				
Accounts receivable	**$**	**12,261**	$	5,716
Prepaid expenses		**4,535**		3,914
Inventory (Note 3)		**6,734**		7,185
Risk management contracts (Note 8)		**2,278**		3,230
		25,808		20,045
Deferred income tax asset		**25,881**		26,531
Risk management contracts (Note 8)		**398**		1,644
Property, plant and equipment (Note 4)		**326,760**		331,622
Total assets	**$**	**378,847**	$	379,842
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**16,515**	$	12,475
Decommissioning liability (Note 7)		**2,515**		1,843
		19,030		14,318
Debt (Note 5)		**62,906**		78,461
Convertible debentures (Note 6)		**12,652**		12,297
Decommissioning liability (Note 7)		**93,557**		86,839
Total liabilities		**188,145**		191,915
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		**337,464**		337,740
Warrants (Note 9)		**-**		129
Equity component of convertible debentures (Note 6)		**2,514**		2,519
Contributed surplus		**16,474**		15,654
Deficit		**(165,750)**		(168,115)
Total shareholders' equity		**190,702**		187,927
Total liabilities and shareholders' equity	**$**	**378,847**	$	379,842

See accompanying notes to the unaudited Condensed Consolidated Financial Statements

GEAR ENERGY LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)
For the nine months ended September 30

(Cdn$ thousands)	Share Capital	Warrants	Equity Component of Convertible Debentures	Contributed Surplus	Deficit	Total Equity
Balance, beginning of period	**$ 311,240**	**$ 129**	**$ 2,592**	**$ 15,178**	**$ (173,209)**	**$ 155,930**
Issued on conversion of convertible debentures (Note 6)	409	-	(73)	-	-	336
Exercise of stock options	1,207	-	-	(496)	-	711
Issued as consideration on corporate acquisition	24,743	-	-	-	-	24,743
Share issue costs (Note 9)	(7)	-	-	-	-	(7)
Share-based compensation (Note 9)	-	-	-	846	-	846
Net loss for the period	-	-	-	-	(5,459)	(5,459)
Balance at September 30, 2018	**$ 337,592**	**$ 129**	**$ 2,519**	**$ 15,528**	**$ (178,668)**	**$ 177,100**
Balance, beginning of period	$ 337,740	$ 129	$ 2,519	$ 15,654	$ (168,115)	$ 187,927
Common shares repurchased (Note 9)	(354)	-	-	235	-	(119)
Issued on conversion of convertible debentures (Note 6)	27	-	(5)	-	-	22
Exercise of stock options	51	-	-	(51)	-	-
Warrant expiry (Note 9)	-	(129)	-	129	-	-
Share-based compensation (Note 9)	-	-	-	507	-	507
Net income for the period	-	-	-	-	2,365	2,365
Balance at September 30, 2019	**$ 337,464**	**$ -**	**$ 2,514**	**$ 16,474**	**$ (165,750)**	**$ 190,702**

See accompanying notes to the unaudited Condensed Consolidated Financial Statements

GEAR ENERGY LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
(Cdn$ thousands, except per share amounts)	**2019**	2018	**2019**	2018
REVENUE				
Sales of crude oil, natural gas and natural gas liquids (Note 11)	**$ 32,459**	$ 33,334	**$ 101,593**	$ 91,908
Royalties	**(3,861)**	(4,550)	**(11,016)**	(10,694)
	28,598	28,784	**90,577**	81,214
Realized gain (loss) on risk management contracts	**510**	(4,064)	**(666)**	(10,052)
Unrealized gain (loss) on risk management contracts	**1,878**	(233)	**(6,014)**	(6,642)
	30,986	24,487	**83,897**	64,520
EXPENSES				
Operating	**10,956**	10,979	**34,328**	31,243
General and administrative	**1,291**	1,125	**4,167**	4,418
Interest and financing charges	**966**	652	**3,365**	1,784
Depletion, depreciation and amortization (Notes 3 and 4)	**12,771**	10,330	**37,748**	30,183
Accretion (Notes 6 and 7)	**526**	562	**1,693**	1,673
Share-based compensation (Note 9)	**77**	303	**507**	846
Unrealized loss (gain) on foreign exchange	**329**	-	**(97)**	-
Gain on asset disposition	**-**	(556)	**(776)**	(556)
Transaction costs	**-**	395	**7**	395
Realized (gain) loss on foreign exchange	**(73)**	(9)	**(60)**	(7)
	26,843	23,781	**80,882**	69,979
Deferred tax expense	**(650)**	-	**(650)**	-
Net income (loss) and comprehensive income (loss)	**$ 3,493**	$ 706	**$ 2,365**	$ (5,459)
Net income (loss) per share, basic and diluted (Note 9)	**$ 0.02**	$ -	**$ 0.01**	$ (0.03)

See accompanying notes to the unaudited Condensed Consolidated Financial Statements

GEAR ENERGY LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(Cdn$ thousands)	Three Months Ended September 30 **2019**	Three Months Ended September 30 2018	Nine Months Ended September 30 **2019**	Nine Months Ended September 30 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	**$ 3,493**	$ 706	**$ 2,365**	$ (5,459)
Add items not involving cash:				
Unrealized (gain) loss on risk management contracts	**(1,878)**	233	**6,014**	6,642
Depletion, depreciation and amortization	**12,771**	10,330	**37,748**	30,183
Accretion	**526**	562	**1,693**	1,673
Share-based compensation	**77**	303	**507**	846
Gain on asset disposition	**-**	(556)	**(776)**	(556)
Unrealized loss (gain) on foreign exchange	**329**	-	**(97)**	-
Deferred tax expense	**650**	-	**650**	-
Decommissioning liabilities settled	**(1,170)**	(318)	**(2,043)**	(1,580)
Change in non-cash working capital (Note 12)	**(1,185)**	5,571	**(7,586)**	8,465
	13,613	16,831	**38,475**	40,214
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES				
(Repayments) borrowings of debt under credit facilities	**(3,688)**	32,484	**(15,458)**	24,814
Repayment of debt assumed on corporate acquisition	**-**	(36,251)	**-**	(36,251)
Common shares repurchased	**(119)**	-	**(119)**	-
Issuance of share capital, net of share issue costs	**-**	624	**-**	704
	(3,807)	(3,143)	**(15,577)**	(10,733)
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES				
Property, plant and equipment expenditures	**(11,800)**	(18,749)	**(24,386)**	(34,377)
Cash received on corporate acquisition	**-**	693	**-**	693
Acquisition of petroleum and natural gas properties	**(115)**	(50)	**(6)**	(450)
Disposition of petroleum and natural gas properties	**-**	556	**1,091**	556
Change in non-cash working capital (Note 12)	**2,109**	4,555	**403**	4,790
	(9,806)	(12,995)	**(22,898)**	(28,788)
INCREASE IN CASH AND CASH EQUIVALENTS	**-**	693	**-**	693
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**-**	-	**-**	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ -**	$ 693	**$ -**	$ 693
The following are included in cash flow from operating activities:				
Interest paid in cash	**$ 854**	$ 500	**$ 3,305**	$ 1,604

See accompanying notes to the unaudited Condensed Consolidated Financial Statements

1. BASIS OF PRESENTATION

The principal undertakings of Gear Energy Ltd. (the "Company" or "Gear") are to carry on the business of acquiring, developing and holding interests in petroleum and natural gas properties and assets.

Gear's principal place of business is located at 2600, 240 - 4th Avenue SW, Calgary, Alberta T2P 4H4.

These unaudited interim condensed consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting* using accounting policies aligned with International Financial Reporting Standards ("IFRS"). The financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Audited Consolidated Financial Statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS.

The financial statements were authorized for issue by the Board of Directors on November 6, 2019.

2. NEWLY ADOPTED ACCOUNTING POLICY

IFRS 16 *Leases*

As of January 1, 2019, the Company adopted IFRS 16 which replaces sections IAS 17 "*Leases*", IFRIC 4 "*Determining whether an arrangement contains a lease*", SIC-15 *"Operating leases - incentives*" and SIC-27 "*Evaluating the substance of transactions involving the legal form of a lease*". IFRS 16 introduces a single lease accounting model for lessees which requires the recognition of a right of use asset and a lease liability on the Consolidated Balance Sheets for contracts that are, or contain, a lease. The Company adopted IFRS 16 using the modified retrospective approach. Under this method of adoption, the right of use assets recognized were measured at amounts equal to the present value of the lease obligations. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect of IFRS 16 as an adjustment to opening retained earnings and applies the standard prospectively. Gear elected to not apply lease accounting to certain leases for which the lease term ends within 12 months or is low value as of the date of adoption.

The Company did a complete evaluation of the contracts it has entered, and it was determined there is no material impact as a result of adopting IFRS 16 and as such no adjustment or additional disclosures have been made. The Company has included an accounting policy for leases as follows:

Leases
Leases are capitalized as right of use assets with a corresponding right of use lease obligation using the present value of future lease payments in the Consolidated Balance Sheets. The discount rate used to determine the right of use asset is disclosed in the lease contract or the company's incremental borrowing rate, if none is provided. Certain lease payments will continue to be expensed in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). These leases are contractual obligations that contain any of the following: are equal to or less than twelve months; are for oil and gas extraction; are variable payments; the Company does not control the asset; or no asset is identified in the lease.

3. INVENTORY

At September 30, 2019 and December 31, 2018 Gear recorded oil inventory valued at its production cost of $6.7 million and $7.2 million, respectively. Gear records changes in both the capital and operating components to the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). The cost components of the inventory balance are as follows:

($ thousands)	**September 30, 2019**	December 31, 2018
Capital	**2,999**	3,691
Operating	**3,735**	3,494
Balance, end of period	**6,734**	7,185

4. PROPERTY, PLANT AND EQUIPMENT

The following table reconciles Gear's property, plant and equipment:

Cost ($ thousands)	**Development and Production Assets**	**Administrative Assets**	**Total**
Balance, December 31, 2017	695,665	1,273	696,938
Additions	43,770	89	43,859
Acquisitions	66,728	-	66,728
Disposals	(1)	-	(1)
Change in decommissioning costs	6,639	-	6,639
Balance, December 31, 2018	812,801	1,362	814,163
Additions	24,360	26	24,386
Acquisitions	6	-	6
Disposals	(315)	-	(315)
Change in decommissioning costs	8,117	-	8,117
Balance, September 30, 2019	844,969	1,388	846,357
Depletion, depreciation and amortization			
Balance, December 31, 2017	439,172	805	439,977
Depletion, depreciation and amortization	42,298	266	42,564
Balance, December 31, 2018	481,470	1,071	482,541
Depletion, depreciation and amortization	36,964	92	37,056
Balance, September 30, 2019	518,434	1,163	519,597

Carrying amounts ($ thousands)	**Development and Production Assets**	**Administrative Assets**	**Total**
As at December 31, 2018	331,331	291	331,622
As at September 30, 2019	326,535	225	326,760

No impairment indicators were identified related to Gear's cash generating units as at September 30, 2019.

5. DEBT

At September 30, 2019 Gear had a $70.0 million revolving term credit facility with a syndicate of three banks (the "Syndicate") and a $20.0 million operating facility (collectively, the "Credit Facilities") totaling $90.0 million. The total stamping fees range, depending on Gear's Debt to EBITDA ratio, between 50 bps to 300 bps on Canadian bank prime borrowings and between 150 bps and 400 bps on US dollar denominated LIBOR loans and Canadian dollar bankers' acceptances. The undrawn portion of the Credit Facilities is subject to a standby fee in the range of 34 bps to 90 bps. For the three and nine months ended September 30, 2019, Gear recognized an unrealized loss on foreign exchange of $0.3 million and an unrealized gain on foreign exchange of $0.1 million on its LIBOR loan, respectively (nil for the three and nine months ended September 30, 2018). The maturity date of the Credit Facilities is May 28, 2021. Gear is currently undergoing its semi-annual borrowing base review which is expected to be completed on or before November 30, 2019.

The Credit Facilities carry a single financial covenant to maintain an adjusted working capital ratio of not less than 1.0:1. Adjusted working capital ratio is defined as current assets less risk management contracts plus the undrawn portion of the Credit Facilities, divided by current liabilities less risk management contracts. At September 30, 2019 Gear was in compliance with this covenant.

At September 30, 2019 Gear had $62.9 million drawn on the Credit Facilities (December 31, 2018 – $78.5 million) and outstanding letters of credit of $0.8 million (December 31, 2018 – $0.2 million).

6. CONVERTIBLE DEBENTURES

The following table provides a continuity of balances of the Convertible Debentures and the equity component from December 31, 2017 to September 30, 2019:

($ thousands)	Convertible Debentures	Equity component
Balance, December 31, 2017	12,155	2,592
Accretion using effective interest rate at 8%	478	-
Conversions	(336)	(73)
Balance, December 31, 2018	**12,297**	**2,519**
Accretion using effective interest rate at 8%	377	-
Conversions	(22)	(5)
Balance, September 30, 2019	**12,652**	**2,514**

7. DECOMMISSIONING LIABILITY

($thousands)	Nine months ended September 30, 2019	Year ended December 31, 2018
Balance, beginning of period	**88,682**	80,541
Changes in estimates	**7,791**	260
Additions	**598**	1,400
Acquisitions (dispositions)	**(272)**	240
Liabilities acquired on acquisition of Steppe	**-**	2,658
Revaluation of acquired decommissioning liabilities (1)	**-**	4,739
Decommissioning liabilities settled	**(2,043)**	(2,981)
Accretion	**1,316**	1,825
Balance, end of period	**96,072**	88,682
Expected to be incurred within one year	**2,515**	1,843
Expected to be incurred beyond one year	**93,557**	86,839

(1) These amounts relate to the revaluation of acquired decommissioning liabilities using a risk-free discount rate. At the date of acquisition, decommissioning liabilities are recorded at fair value.

The undiscounted and unescalated amount of the expected cash flows required to settle the decommissioning liability is estimated to be $89.9 million as at September 30, 2019 (December 31, 2018 - $91.0 million). The liability for the expected cash flows, as reflected in the financial statements, has been inflated at two per cent and discounted using a risk free rate of 1.53 per cent (December 31, 2018 – 2.18 per cent). Abandonments are expected to occur between 2019 and 2044 and related costs will be funded mainly from Gear's cash provided by operating activities.

8. RISK MANAGEMENT CONTRACTS

The following is a summary of all risk management contracts in place as at September 30, 2019:

Financial WTI Crude Oil Contracts

Term		Contract	Currency	Volume bbl/d	Sold Swap $/bbl	Sold Call $/bbl	Bought Put $/bbl	Sold Put $/bbl
Oct 1, 2019	Dec 31, 2019	Three-way Collar	USD/CAD	600	-	U$66.00	C$62.00	C$52.00
Oct 1, 2019	Dec 31, 2019	Three-way Collar	USD/CAD	600	-	U$72.00	C$65.00	C$55.00
Oct 1, 2019	Dec 31, 2019	Three-way Collar	CAD	1,200	-	100.00	65.00	55.00
Oct 1, 2019	Dec 31, 2019	Collar	CAD	100	-	103.00	65.00	-
Jan 1, 2020	Dec 31, 2020	Collar	CAD	700	-	94.00	65.00	-
Oct 1, 2019	Dec 31, 2019	Swap(1)	CAD	400	67.30	-	-	-
Jan 1, 2020	Jun 30, 2020	Swap	CAD	1,800	72.50	-	-	-
Jan 1, 2020	Jun 30, 2020	Collar	CAD	700	-	84.00	65.00	-

(1) Acquired through the acquisition of Steppe.

Financial Foreign Exchange Contract					
Term		Contract	Currency	Amount	Forward Rate
				$ thousands	CAD/USD
Oct 1, 2019	Oct 25, 2019	Swap	USD	U$33,607	1.32711

As at September 30, 2019, the fair value associated with Gear's risk management contracts was a combined net asset of $2.7 million ($4.9 million asset at December 31, 2018).

The following table summarizes the change in the net risk management contracts asset (liability) during the periods ended September 30, 2019 and December 31, 2018:

($ thousands)	**Nine months ended September 30, 2019**	Year ended December 31, 2018
Balance, beginning of period	**4,874**	(5,295)
Unrealized (loss) gain on risk management contracts	**(6,014)**	14,641
Unrealized risk management liability assumed on acquisition of Steppe[1]	**3,816**	(4,472)
Balance, end of period	**2,676**	4,874

(1) Gear assumed an unrealized risk management liability of $6.2 million on acquisition of Steppe. This liability is reduced as the underlying risk management contracts settle.

Subsequent to September 30, 2019, Gear entered into the following risk management contracts:

Financial WTI Crude Oil Contracts								
Term		Contract	Currency	Volume	Sold Swap	Sold Call	Bought Put	Sold Put
				bbl/d	$/bbl	$/bbl	$/bbl	$/bbl
Jul 1, 2020	Dec 31, 2020	Three-way Collar	CAD	400	-	75.40	65.00	55.00
Jul 1, 2020	Dec 31, 2020	Three-way Collar	CAD	850	-	75.75	65.00	55.00

9. SHAREHOLDERS' EQUITY

a) Share capital

	Nine months ended September 30, 2019			Year ended December 31, 2018		
(thousands of shares and $ thousands)	**Shares**		**Amount**	Shares		Amount
Balance, beginning of period	**219,015**	**$**	**337,740**	194,968	$	311,240
Issued on acquisition of Steppe	**-**		**-**	21,896		24,743
Common shares repurchased	**(220)**		**(354)**	-		-
Exercise of stock options	**49**		**51**	1,711		1,355
Issued on conversion of debentures	**29**		**27**	440		409
Share issue costs	**-**		**-**	-		(7)
Balance, end of period	**218,873**	**$**	**337,464**	219,015	$	337,740

For the period ended September 30, 2019, 0.5 million stock options (December 31, 2018 - 2.2 million) were exercised for 49,000 common shares (December 31, 2018 - 0.6 million) on a cash-less basis. For the year ended December 31, 2018, an additional 1.1 million stock options were exercised for 1.1 million common shares for proceeds of $0.7 million.

b) Normal Course Issuer Bid

On September 23, 2019, Gear announced the approval of its Normal Course Issuer Bid ("NCIB") by the Toronto Stock Exchange ("TSX"). The NCIB allows the Company to purchase for cancellation up to approximately 11.0 million common shares over a period of twelve months commencing on September 25, 2019. Under the terms of the Credit Facilities, Gear can initially purchase shares with an aggregate value of $1.5 million without the consent of Gear's lenders.

Purchases are made on the open market through the TSX or alternative Canadian trading platforms at the prevailing market price of such common shares at the time of purchase. When the Company repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. When the carrying value exceeds the purchase price the excess is credited to contributed surplus or conversely the excess of the purchase price over the carrying value is recognized as a deduction from retained earnings. For the period ended September 30, 2019, 0.2 million common shares were repurchased at an average cost of $0.47 per share.

c) Warrants

Warrants issued on the acquisition of Striker Exploration Corp. ("Striker") on July 27, 2016 expired unexercised on July 8, 2019.

d) Stock option plan

Gear's stock option plan provides for the grant of options to purchase common shares of Gear to directors, officers, employees and consultants of Gear. In the third quarter of 2016, the Board of Directors of Gear determined that future grants of options under the option plan would vest as to one third on each of the first, second and third anniversary dates of the date of grant and expire 30 business days after such vesting dates. The terms of options outstanding prior to the determination by the Gear Board of Directors of the new terms remained unchanged and had the same vesting terms as the new terms but had a five year expiry.

The following table summarizes Gear's stock option plan activity during the periods ended September 30, 2019 and December 31, 2018 for grants made under the plan with a five year expiry.

	Nine months ended September 30, 2019			Year ended December 31, 2018		
(thousands)	**Number of stock options**		**Weighted average exercise price**	Number of stock options		Weighted average exercise price
Outstanding, beginning of period	**4,002**	**$**	**2.50**	5,580	$	2.46
Exercised	**(18)**		**0.42**	(117)		0.45
Expired	**(1,188)**		**5.38**	(1,430)		2.53
Forfeited	**(54)**		**1.23**	(31)		2.22
Outstanding, end of period	**2,742**		**1.28**	4,002		2.50
Exercisable, end of period	**2,742**	**$**	**1.28**	3,738	$	2.65

The following table summarizes Gear's stock option plan activity during the periods ended September 30, 2019 and December 31, 2018 for grants made under the plan with a 30 day expiry following their vesting date.

	Nine months ended September 30, 2019			Year ended December 31, 2018		
(thousands)	**Number of stock options**		**Weighted average exercise price**	Number of stock options		Weighted average exercise price
Outstanding, beginning of period	**10,086**	**$**	**0.87**	7,941	$	0.71
Granted	**7,737**		**0.44**	5,472		1.00
Exercised	**(518)**		**0.73**	(3,188)		0.71
Expired	**(2,181)**		**0.76**	-		-
Forfeited	**(1,178)**		**0.83**	(139)		0.72
Outstanding, end of period	**13,946**		**0.66**	10,086		0.87
Exercisable, end of period	**784**	**$**	**0.69**	134	$	0.76

During the nine months period ended September 30, 2019, Gear recorded an expense of $0.5 million (2018 - $0.8 million) to share-based compensation expense recognizing the stock option activity for the period based on the fair value of options issued, amortized using a graded vesting calculation.

The Black-Scholes option-pricing model was used to determine the fair value of stock options granted using the following assumptions:

	Period ended September 30, 2019
Risk free interest rate (%)	**1.61**
Average expected life (years)	**2.08**
Average expected volatility (%)	**21**
Forfeiture rate (%)	**10.0**

e) Weighted average common shares

	Three months ended September 30,		Nine months ended September 30,	
(thousands)	**2019**	2018	**2019**	2018
Basic	**219,084**	198,826	**219,063**	196,294
Dilutive impact of Convertible Debentures	**15,276**	15,465	**15,276**	-
Dilutive impact of stock options	**286**	3,135	**1,596**	-
Diluted	**234,646**	217,426	**235,935**	196,294

The dilutive impact of Convertible Debentures and stock options are excluded from the diluted weighted average number of common shares when the impact is anti-dilutive.

10. FINANCIAL INSTRUMENTS

Classification and Measurement
Gear's financial instruments on the Consolidated Balance Sheets are carried at amortized cost with the exception of risk management contracts which are carried at fair value. As at September 30, 2019 and December 31, 2018, no significant differences existed between the carrying value of financial instruments and their estimated fair values.

All of Gear's risk management contracts are transacted in active markets. Gear classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, forward exchange rates, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Gear's cash is classified as Level 1 and risk management contracts are classified as Level 2. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

Market Risk Management

Credit risk
The majority of the credit exposure on accounts receivable at September 30, 2019 pertains to accrued revenue for September 2019 production volumes. Gear transacts with a number of oil and natural gas marketing companies. Marketing companies typically remit amounts to Gear by the 25th day of the month following production. A significant portion of Gear's accounts receivable is carried by three marketing companies. At September 30, 2019, 18 per cent, 17 per cent and 16 per cent of total outstanding accounts receivable pertains to these companies. Gear did not have any other customers from which it had outstanding accounts receivable greater than 10 per cent of the total outstanding balance at September 30, 2019.

When determining whether amounts that are past due are collectable, management assesses the credit worthiness and past payment history of the counterparty, as well as the nature of the past due amount. Gear considers all amounts greater than 90 days to be past due. As at September 30, 2019, $0.7 million of accounts receivable are past due with all amounts collectible.

11. SALES OF CRUDE OIL, NATURAL GAS AND NATURAL GAS LIQUIDS

Gear sells its production pursuant to variable-price contracts. The transaction price for these contracts is based on commodity prices adjusted for quality and other factors. The contracts to sell the Company's crude oil, natural gas and natural gas liquids have varying terms not longer than one year. The following table provides a summary of Gear's revenue streams:

($ thousands)	Three months ended September 30, 2019	2018	Nine months ended September 30, 2019	2018
Heavy oil	**19,132**	23,429	**61,504**	63,708
Light and medium oil	**12,479**	8,649	**37,261**	24,083
Natural gas liquids	**535**	862	**1,366**	2,466
Natural gas	**313**	394	**1,462**	1,651
Total sales of crude oil, natural gas and natural gas liquids	**32,459**	33,334	**101,593**	91,908

12. SUPPLEMENTAL DISCLOSURES CASH FLOW INFORMATION

Cash Flow Statement Presentation

The following table provides a detailed breakdown of the changes in non-cash working capital within cash flow from operating and investing activities:

($ thousands)	Three months ended September 30, 2019	2018	Nine months ended September 30, 2019	2018
Accounts receivable	**(480)**	3,387	**(6,545)**	3,412
Prepaid expenses	**(164)**	(93)	**(621)**	(918)
Inventory	**106**	133	**(241)**	246
Accounts payable and accrued liabilities	**1,462**	6,699	**224**	10,515
Total	**924**	10,126	**(7,183)**	13,255
Operating Activities	**(1,185)**	5,571	**(7,586)**	8,465
Investing Activities	**2,109**	4,555	**403**	4,790
Total	**924**	10,126	**(7,183)**	13,255

13. COMMITMENTS AND CONTINGENCIES

Following is a summary of Gear's contractual obligations and commitments as at September 30, 2019:

	Payments due by period		
($ thousands)	2019	2020	Total
Office leases	94	152	246
Drilling commitment	-	1,642	1,642
Total contractual obligations	94	1,794	1,888

Gear enters into commitments for capital and decommissioning expenditures in advance of the expenditures being made. At a given point in time, it is estimated that Gear has committed to capital expenditures equal to approximately one quarter of its capital budget by means of giving the necessary authorizations to incur the expenditures in a future period.

Gear is involved in litigation and claims arising in the normal course of operations. Management is of the opinion that pending litigation will not have a material impact on Gear's financial position or results of operations.