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

(Cdn$ thousands)		**March 31, 2020**		December 31, 2019
ASSETS				
Current assets				
Accounts receivable	**$**	**7,065**	$	11,343
Prepaid expenses		**3,043**		3,196
Inventory (Note 3)		**1,464**		6,515
Risk management contracts (Note 8)		**14,952**		-
		26,524		21,054
Deferred income tax asset		**-**		23,281
Property, plant and equipment (Note 4)		**221,812**		317,035
Total assets	**$**	**248,336**	$	361,370
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**12,004**	$	13,348
Convertible debentures (Note 6)		**12,837**		12,705
Decommissioning liability (Note 7)		**50**		2,840
Risk management contracts (Note 8)		**-**		3,094
		24,891		31,987
Debt (Note 5)		**66,625**		64,254
Decommissioning liability (Note 7)		**85,136**		82,874
Total liabilities		**176,652**		179,115
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		**333,691**		335,455
Equity component of convertible debentures (Note 6)		**2,498**		2,498
Contributed surplus		**19,505**		18,097
Deficit		**(284,010)**		(173,795)
Total shareholders' equity		**71,684**		182,255
Total liabilities and shareholders' equity	**$**	**248,336**	$	361,370

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 three months ended March 31
(Cdn$ thousands)

	Share Capital	Warrants	Equity Component of Convertible Debentures	Contributed Surplus	Deficit	Total Equity
Balance, beginning of period	$ 337,740	$ 129	$ 2,519	$ 15,654	$ (168,115)	$ 187,927
Issued on conversion of convertible debentures	27	-	(5)	-	-	22
Share-based compensation (Note 9)	-	-	-	218	-	218
Net loss for the period	-	-	-	-	(6,812)	(6,812)
Balance at March 31, 2019	**$ 337,767**	**$ 129**	**$ 2,514**	**$ 15,872**	**$ (174,927)**	**$ 181,355**
Balance, beginning of period	$ 335,455	$ -	$ 2,498	$ 18,097	$ (173,795)	$ 182,255
Common shares repurchased (Note 9)	(1,764)	-	-	1,274	-	(490)
Share-based compensation (Note 9)	-	-	-	134	-	134
Net loss for the period	-	-	-	-	(110,215)	(110,215)
Balance at March 31, 2020	**$ 333,691**	**$ -**	**$ 2,498**	**$ 19,505**	**$ (284,010)**	**$ 71,684**

See accompanying notes to the unaudited Condensed Consolidated Financial Statements

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

(Cdn$ thousands, except per share amounts)		Three Months Ended March 31 **2020**		2019
REVENUE				
Sales of crude oil, natural gas and natural gas liquids (Note 12)	**$**	**19,171**	$	31,837
Royalties		**(2,246)**		(2,680)
		16,925		29,157
Realized gain (loss) on risk management contracts		**2,807**		(101)
Unrealized gain (loss) on risk management contracts		**18,046**		(9,819)
		37,778		19,237
EXPENSES				
Operating		**11,051**		11,591
General and administrative		**1,698**		1,265
Interest and financing charges		**819**		1,161
Depletion, depreciation and amortization (Note 3 and 4)		**12,345**		11,978
Impairment (Note 3 and 4)		**98,206**		-
Accretion (Notes 6 and 7)		**509**		605
Share-based compensation (Note 9)		**134**		218
Gain on foreign exchange		**(89)**		-
Bad debt expense		**39**		-
Gain on asset disposition		**-**		(776)
Transaction costs		**-**		7
		124,712		26,049
Deferred tax expense		**23,281**		-
Net loss and comprehensive loss	**$**	**(110,215)**	$	(6,812)
Net loss per share, basic and diluted (Note 9)	**$**	**(0.51)**	$	(0.03)

See accompanying notes to the unaudited Condensed Consolidated Financial Statements

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

	Three Months Ended March 31	
(Cdn$ thousands)	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**$ (110,215)**	$ (6,812)
Add items not involving cash:		
Unrealized (gain) loss on risk management contracts	**(18,046)**	9,819
Depletion, depreciation and amortization	**12,345**	11,978
Impairment (Note 3 and 4)	**98,206**	-
Accretion	**509**	605
Share-based compensation	**134**	218
Unrealized loss on foreign exchange	**5**	-
Bad debt expense	**39**	-
Gain on asset disposition	**-**	(776)
Deferred tax expense	**23,281**	-
Decommissioning liabilities settled	**(671)**	(399)
Change in non-cash working capital (Note 13)	**4,201**	(8,652)
	9,788	5,981
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings of debt under credit facility	**2,366**	1,390
Common shares repurchased	**(490)**	-
	1,876	1,390
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Property, plant and equipment expenditures	**(11,099)**	(9,252)
Acquisition of petroleum and natural gas properties	**(3)**	(28)
Disposition of petroleum and natural gas properties	**-**	1,066
Change in non-cash working capital (Note 13)	**(562)**	843
	(11,664)	(7,371)
INCREASE IN CASH AND CASH EQUIVALENTS	**-**	-
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**-**	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ -**	$ -
The following are included in cash flows from operating activities:		
Interest paid in cash	**$ 651**	$ 984

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 800, 205 – 5th Avenue SW, Calgary, Alberta T2P 2V7.

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, 2019, which have been prepared in accordance with IFRS.

The financial statements were authorized for issue by the Board of Directors on May 6, 2020.

2. RECENT DEVELOPMENTS AND IMPACT ON ESTIMATION UNCERTAINTY

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets. The pandemic adversely impacted global commercial activity, including significantly reducing worldwide demand for crude oil. Crude oil prices have also been severely impacted by increased global supply due to disagreements over production restrictions between the Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC members, primarily Saudi Arabia and Russia. As a result of declining commodity prices and financial markets, the Company's share price and market capitalization significantly declined from December 31, 2019.

The full extent of the impact of COVID-19 on the Company's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. The outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of its financial results.

A full list of the key sources of management judgements and estimation uncertainty can be found in the Company's Annual Consolidated Financial Statements for the year ended December 31, 2019. The outbreak and current market conditions have increased the complexity of estimates and assumptions used to prepare the Interim Condensed Consolidated Financial Statements, particularly related to the following key source of estimation uncertainty:

Recoverable Amounts
Determining the recoverable amount of a cash-generating unit ("CGU") and a deferred tax asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. The severe drop in commodity prices, due to reasons noted above, have increased the risk of measurement uncertainty in determining the recoverable amounts, especially estimating economic crude oil and natural gas reserves and estimating forward commodity prices.

3. INVENTORY

At March 31, 2020 Gear recorded oil inventory valued at its net realizable value of $1.5 million (December 31, 2019 at its production cost of $6.5 million). At March 31, 2020, Gear recognized an impairment on its inventory balance in the amount of $4.3 million (2019 – nil) as a result of a reduction in the net realizable value. This amount is reflected as impairment on the Interim Condensed Consolidated Statement of Loss and Comprehensive Loss.

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, 2018	812,801	1,362	814,163
Additions	36,915	74	36,989
Acquisitions	133	-	133
Disposals	(333)	-	(333)
Change in decommissioning costs	(1,720)	-	(1,720)
Balance, December 31, 2019	847,796	1,436	849,232
Additions	11,080	19	11,099
Acquisitions	203	-	203
Disposals	(200)	-	(200)
Change in decommissioning costs	(234)	-	(234)
Balance, March 31, 2020	858,645	1,455	860,100
Depletion, depreciation and amortization			
Balance, December 31, 2018	481,470	1,071	482,541
Depletion, depreciation and amortization	49,536	120	49,656
Balance, December 31, 2019	531,006	1,191	532,197
Depletion, depreciation and amortization	12,206	27	12,233
Impairment	93,858	-	93,858
Balance, March 31, 2020	637,070	1,218	638,288

Carrying amounts ($ thousands)	**Development and Production Assets**	**Administrative Assets**	**Total**
As at December 31, 2019	316,790	245	317,035
As at March 31, 2020	221,575	237	221,812

As a result of a severe decline in worldwide oil prices, an impairment test was carried out at March 31, 2020 on each of Gear's CGUs. The estimated recoverable amounts incorporated the net present value of the after-tax cash flows from proved plus probable oil and gas reserves of each CGU based on reserves estimated by Gear's independent reserves evaluator at December 31, 2019, updated using forward commodity price estimates at April 1, 2020 and revised timing of future development capital and adjusted for the net present value of the after-tax decommissioning costs on properties without proved plus probable oil and gas reserves, as well as the fair value of undeveloped land based on management's estimates at March 31, 2020. The estimated recoverable amounts were based on fair value less cost to sell calculations using after-tax discount rates based on an estimated industry weighted average cost of capital ranging from 11 to 13 per cent, depending on the resource composition of the assets in the CGU and an inflation of two per cent.

The following table details the forward commodity pricing used to estimate the recoverable amount of Gear's CGU's at March 31, 2020:

Year	Western Canadian Select Crude Oil (Cdn $/bbl)	Canadian Light Sweet Crude Oil (Cdn $/bbl)	Light Sour Blend Crude Oil (Cdn $/bbl)	AECO Gas (Cdn $/MMBtu)	CAD$/US$ Exchange Rates
2020	19.21	29.22	27.59	1.74	0.71
2021	34.65	46.85	44.81	2.20	0.73
2022	46.34	59.27	56.78	2.38	0.75
2023	51.25	65.02	61.20	2.45	0.75
2024	54.28	68.43	65.56	2.53	0.75
2025	55.72	69.81	66.89	2.60	0.75
2026	56.96	71.24	68.30	2.66	0.75
2027	58.22	72.70	69.73	2.72	0.75
2028	59.51	74.19	71.18	2.79	0.75
2029	60.82	75.71	72.67	2.85	0.75
2030	62.04	77.22	74.13	2.92	0.75
Remainder	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	0.75

For the first quarter of 2020, Gear recorded an impairment of $93.9 million (2019 – nil) on its three CGUs, which was recognized in impairment in the Condensed Consolidated Statements of Loss and Comprehensive Loss. An impairment of $27.4 million was recognized on Gear's heavy oil properties located in Eastern Alberta and Saskatchewan, which had a recoverable amount of $80.3 million using an after-tax discount rate of 13 per cent; an impairment of $20.7 million was recognized on Gear's light oil properties located in Western Alberta, which had a recoverable amount of $33.8 million using an after-tax discount rate of 13 per cent; and an impairment of $45.8 million was recognized on Gear's light oil properties located in Southeast Saskatchewan, which had a recoverable amount of $22.3 million using an after-tax discount rate of 11 per cent.

The following table demonstrates the sensitivity of the impairment amount at March 31, 2020 from reasonably possible changes in key assumptions inherent in the estimate:

($ thousands)	Increase in Discount Rate of 1 per cent	Decrease in Discount Rate of 1 per cent	Decrease in Cash Flow Estimates of 10 per cent	Increase in Cash Flow Estimates of 10 per cent
Impairment increase (decrease)	4,875	(5,322)	12,570	(12,570)

The fair value less cost to sell values used to determine the recoverable amounts of Gear's CGUs at March 31, 2020 were classified as Level 3 fair value measurements as certain key assumptions are based on Management's best estimates.

5. DEBT

At March 31, 2020 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 months ended March 31, 2020, Gear recognized an unrealized loss on foreign exchange of $5 thousand on its LIBOR loan (nil for the three months ended March 31, 2019). The maturity date of the Credit Facilities is May 28, 2021. The next semi-annual borrowing base review of the facilities is expected to be complete on or about May 31, 2020.

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 March 31, 2020 Gear was in compliance with this covenant.

At March 31, 2020 Gear had $66.6 million drawn on the Credit Facilities (December 31, 2019 – $64.3 million) and outstanding letters of credit of $1.6 million (December 31, 2019 – $0.8 million).

6. CONVERTIBLE DEBENTURES

The following table provides a continuity of balances of the Convertible Debentures and the equity component from December 31, 2018 to March 31, 2020:

($ thousands)	Convertible Debentures	Equity component
Balance, December 31, 2018	12,297	2,519
Accretion using effective interest rate at 8%	506	-
Conversions	(98)	(21)
Balance, December 31, 2019	12,705	2,498
Accretion using effective interest rate at 8%	132	-
Balance, March 31, 2020	**12,837**	**2,498**

7. DECOMMISSIONING LIABILITY

($ thousands)	Three months ended March 31, 2020	Year ended December 31, 2019
Balance, beginning of period	**85,714**	88,682
Changes in estimates	**(503)**	(2,274)
Additions	**393**	851
Dispositions	**(124)**	(297)
Decommissioning liabilities settled	**(671)**	(2,932)
Accretion	**377**	1,684
Balance, end of period	**85,186**	85,714
Expected to be incurred within one year	**50**	2,840
Expected to be incurred beyond one year	**85,136**	82,874

The undiscounted and unescalated amount of the expected cash flows required to settle the decommissioning liability is estimated to be $85.2 million as at March 31, 2020 (December 31, 2019 – $85.7 million). The liability for the expected cash flows, as reflected in the financial statements, has been inflated at 1.32 per cent (December 31, 2019 – 1.76 per cent) and discounted using a risk free rate of 1.32 per cent (December 31, 2019 – 1.76 per cent). Abandonments are expected to occur between 2020 and 2046 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 March 31, 2020:

Financial WTI Crude Oil Contracts

Term		Contract	Currency	Volume bbl/d	Sold Swap $/bbl	Sold Call $/bbl	Bought Put $/bbl	Sold Put $/bbl
Apr 1, 2020	Dec 31, 2020	Collar	CAD	700	-	94.00	65.00	-
Apr 1, 2020	Jun 30, 2020	Swap	CAD	1,800	72.50	-	-	-
Apr 1, 2020	Jun 30, 2020	Collar	CAD	700	-	84.00	65.00	-
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
Jul 1, 2020	Dec 31, 2020	Three- way collar	CAD	1,250	-	81.00	65.00	55.00

Financial Foreign Exchange Contract

Term		Contract	Currency	Amount $ thousands	Forward Rate CAD/USD
Apr 1, 2020	Apr 24, 2020	Swap	USD	U$22,800	1.44982

As at March 31, 2020, the fair value associated with Gear's risk management contracts was a combined net asset of $15.0 million ($3.1 million liability at December 31, 2019).

The following table summarizes the change in the net risk management contracts asset (liability) during the periods ended March 31, 2020 and December 31, 2019:

($ thousands)	**Three months ended March 31, 2020**	Year ended December 31, 2019
Balance, beginning of period	**(3,094)**	4,874
Unrealized gain (loss) on risk management contracts	**18,046**	(12,440)
Unrealized risk management liability assumed on corporate acquisition	**-**	4,472
Balance, end of period	**14,952**	(3,094)

9. SHAREHOLDERS' EQUITY

a) Share capital

	Three months ended March 31, 2020			Year ended December 31, 2019		
(thousands of shares and $ thousands)	**Shares**		**Amount**	Shares		Amount
Balance, beginning of period	**217,610**	**$**	**335,455**	219,015	$	337,740
Common shares repurchased	**(1,142)**		**(1,764)**	(1,582)		(2,455)
Exercise of stock options	**-**		**-**	49		51
Issued on conversion of debentures	**-**		**-**	128		119
Balance, end of period	**216,468**	**$**	**333,691**	217,610	$	335,455

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. For the period ended March 31, 2020, 1.1 million common shares with an aggregate value of $0.5 million were repurchased.

c) 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 March 31, 2020 and December 31, 2019 for grants made under the plan with a five year expiry.

	Three months ended March 31, 2020			Year ended December 31, 2019		
(thousands)	**Number of stock options**		**Weighted average exercise price**	Number of stock options		Weighted average exercise price
Outstanding, beginning of period	**2,724**	**$**	**1.27**	4,002	$	2.50
Exercised	**-**		**-**	(18)		0.42
Expired	**(464)**		**1.79**	(1,206)		5.36
Forfeited	**-**		**-**	(54)		1.23
Outstanding, end of period	**2,260**		**1.16**	2,724		1.27
Exercisable, end of period	**2,260**	**$**	**1.16**	2,724	$	1.27

The following table summarizes Gear's stock option plan activity during the periods ended March 31, 2020 and December 31, 2019 for grants made under the plan with a 30 day expiry following their vesting date.

	Three months ended March 31, 2020			Year ended December 31, 2019		
(thousands)	**Number of stock options**		**Weighted average exercise price**	Number of stock options		Weighted average exercise price
Outstanding, beginning of period	**12,536**	**$**	**0.61**	10,086	$	0.87
Granted	**318**		**0.29**	7,998		0.44
Exercised	**-**		**-**	(518)		0.73
Expired	**(287)**		**0.70**	(3,852)		0.84
Forfeited	**-**		**-**	(1,178)		0.83
Outstanding, end of period	**12,567**		**0.60**	12,536		0.61
Exercisable, end of period	**570**	**$**	**0.70**	134	$	0.76

In the first quarter of 2020, Gear has recorded an expense of $0.1 million (2019 – $0.2 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 March 31, 2020
Risk free interest rate (%)	**1.19**
Average expected life (years)	**2.1**
Average expected volatility (%)	**20.4**
Forfeiture rate (%)	**10.0**

d) Weighted average common shares

(thousands)	**Three months ended March 31, 2020**	Three months ended March 31, 2019
Basic and diluted	**216,715**	219,016

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

10. INCOME TAXES

Deferred tax assets on the Condensed Consolidated Balance Sheet are recognized based on current tax pools less future taxable income based on estimates of the value of oil and gas reserves less estimates of tax deductions such as general and administrative and interest and financing charges. At March 31, 2020 $23.3 million in deferred tax assets were derecognized as estimated future taxable income no longer supported the recoverability of the deferred tax asset.

11. FINANCIAL INSTRUMENTS

Classification and Measurement

Gear's financial instruments on the Condensed Consolidated Balance Sheet are carried at amortized cost with the exception of risk management contracts which are carried at fair value through profit and loss. As at March 31, 2020 and December 31, 2019, 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 rate, 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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. All the accounts payable and accrued liabilities are due in less than one year. The Convertible Debentures have a scheduled bullet repayment date of November 30, 2020. Gear has the option to repay the principal amount of the Convertible Debentures due at maturity or to redeem the Convertible Debentures by the issuance of common shares. Amounts outstanding on the Credit Facilities are due on May 28, 2021.

The rapidly evolving events related to the novel coronavirus pandemic and severe decline in worldwide oil prices are anticipated to result in a decrease in the Company's borrowing limit. If the reduction to the borrowing limit is significant alternative external sources of funding will be necessary. The Company believes that it has access to sufficient capital through internally generated cash flows and external sources (credit markets and equity financing, if required) to meet current liquidity requirements. However, there is no certainty that such debt or equity financing will be available, access to these external sources may change at any time and is subject to certain factors beyond the control of the Company.

Credit risk

The majority of the credit exposure on accounts receivable at March 31, 2020 pertains to accrued revenue for March 2020 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 two marketing companies. At March 31, 2020, 11 per cent and 10 per cent of total outstanding accounts receivable pertains to these companies, all of which were collected on April 24, 2020. 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 March 31, 2020.

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 March 31, 2020, $0.2 million of accounts receivable are past due with all amounts collectible.

12. 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 for the three months ended March 31:

($ thousands)	**Three months ended March 31, 2020**	Three months ended March 31, 2019
Heavy oil	**10,010**	19,793
Light and medium oil	**8,147**	10,669
Natural gas liquids	**208**	558
Natural gas	**806**	817
Total sales of crude oil, natural gas and natural gas liquids	**19,171**	31,837

13. SUPPLEMENTAL DISCLOSURES CASH FLOW INFORMATION

Cash Flow Statement Presentation

The following table provides a detailed breakdown of the changes in non-cash working capital:

($ thousands)	**Three months ended March 31, 2020**	Three months ended March 31, 2019
Accounts receivable	**4,239**	(9,075)
Prepaid expenses	**153**	(533)
Inventory	**591**	(457)
Accounts payable and accrued liabilities	**(1,344)**	2,256
Total	**3,639**	(7,809)
Operating Activities	**4,201**	(8,652)
Investing Activities	**(562)**	843
Total	**3,639**	(7,809)

14. COMMITMENTS AND CONTINGENCIES

Following is a summary of Gear's contractual obligations and commitments as at March 31, 2020:

	Payments due by period						
($ thousands)	2020	2021	2022	2023	2024	2025	Total
Office leases (1)	106	223	257	415	428	250	1,679
Drilling commitment	197	-	-	-	-	-	197
Total contractual obligations	303	223	257	415	428	250	1,876

(1) Includes base rent and estimated operating costs.

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.