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

(Cdn$ thousands)		**March 31, 2021**		December 31, 2020
ASSETS				
Current assets				
Accounts receivable	**$**	**10,247**	$	8,539
Prepaid expenses		**2,960**		3,176
Inventory (Note 2)		**6,442**		5,621
		19,649		17,336
Property, plant and equipment (Note 3)		**237,370**		244,940
Total assets	**$**	**257,019**	$	262,276
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**11,892**	$	6,266
Debt (Note 4)		**-**		5,000
Convertible debentures (Note 5)		**3,279**		-
Decommissioning liability (Note 6)		**3,952**		2,714
Risk management contracts (Note 7)		**2,825**		19
		21,948		13,999
Debt (Note 4)		**47,384**		45,749
Convertible debentures (Note 5)		**-**		12,843
Decommissioning liability (Note 6)		**76,328**		84,756
Total liabilities		**145,660**		157,347
SHAREHOLDERS' EQUITY				
Share capital (Note 8)		**345,476**		333,711
Convertible debentures (Note 5)		**625**		2,494
Contributed surplus		**19,874**		19,843
Deficit		**(254,616)**		(251,119)
Total shareholders' equity		**111,359**		104,929
Total liabilities and shareholders' equity	**$**	**257,019**	$	262,276

See accompanying notes to the unaudited Interim 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		Convertible Debentures		Contributed Surplus		Deficit		Total Equity
Balance at December 31, 2019	$	335,455	$	2,498	$	18,097	$	(173,795)	$	182,255
Common shares repurchased (Note 8)		(1,764)		-		1,274		-		(490)
Share-based compensation (Note 8)		-		-		134		-		134
Net loss for the period		-		-		-		(110,215)		(110,215)
Balance at March 31, 2020	**$**	**333,691**	**$**	**2,498**	**$**	**19,505**	**$**	**(284,010)**	**$**	**71,684**
Balance, beginning of period		333,711		2,494		19,843		(251,119)		104,929
Conversion of convertible debentures		11,753		(1,869)		-		-		9,884
Stock option exercise and settlement (Note 8)		12		-		(42)		-		(30)
Share-based compensation (Note 8)		-		-		73		-		73
Net loss for the period		-		-		-		(3,497)		(3,497)
Balance at March 31, 2021	**$**	**345,476**	**$**	**625**	**$**	**19,874**	**$**	**(254,616)**	**$**	**111,359**

See accompanying notes to the unaudited Interim Condensed Consolidated Financial Statements

GEAR ENERGY LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (unaudited)
For the three months ended March 31

(Cdn$ thousands, except per share amounts)		**2021**		2020
REVENUE				
Petroleum and natural gas sales (Note 11)	**$**	**24,226**	$	19,171
Royalties		**(2,288)**		(2,246)
		21,938		16,925
Realized (loss) gain on risk management contracts		**(2,187)**		2,807
Unrealized (loss) gain on risk management contracts		**(2,806)**		18,046
		16,945		37,778
EXPENSES				
Operating		**8,405**		9,777
Transportation		**966**		1,274
General and administrative		**1,138**		1,698
Interest and financing charges		**941**		819
Depletion, depreciation and amortization (Note 2 and 3)		**8,151**		12,345
Impairment (Notes 2 and 3)		**-**		98,206
Accretion (Notes 5 and 6)		**720**		509
Share-based compensation (Note 8)		**73**		134
Loss (gain) on foreign exchange		**48**		(89)
Other costs		**-**		39
		20,442		124,712
Deferred income tax expense (Note 9)		**-**		23,281
Net loss and comprehensive loss	**$**	**(3,497)**	$	(110,215)
Net loss per share, basic and diluted (Note 8)	**$**	**(0.02)**	$	(0.51)

See accompanying notes to the unaudited Interim Condensed Consolidated Financial Statements

GEAR ENERGY LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
For the three months ended March 31

(Cdn$ thousands)		**2021**		2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	**$**	**(3,497)**	$	(110,215)
Add items not involving cash:				
Unrealized (gain) loss on risk management contracts		**2,806**		(18,046)
Depletion, depreciation and amortization		**8,151**		12,345
Impairment		**-**		98,206
Accretion		**720**		509
Share-based compensation		**73**		134
Unrealized loss (gain) on foreign exchange		**-**		5
Other costs		**-**		39
Deferred income tax expense		**-**		23,281
Decommissioning liabilities settled (Note 6)		**(396)**		(671)
Change in non-cash working capital (Note 12)		**2,035**		4,201
		9,892		9,788
CASH FLOWS USED IN FINANCING ACTIVITIES				
Change in debt under credit facilities		**(3,365)**		2,366
Settlement of stock options (Note 8)		**(29)**		-
Common shares repurchased		**-**		(490)
		(3,394)		1,876
CASH FLOWS USED IN INVESTING ACTIVITIES				
Property, plant and equipment expenditures		**(7,883)**		(11,099)
Net (acquisition) disposition of petroleum and natural gas properties		**-**		(3)
Change in non-cash working capital (Note 12)		**1,385**		(562)
		(6,498)		(11,664))
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	**$**	**733**	$	651

See accompanying notes to the unaudited Interim Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

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 Standard (“IAS”) 34 *Interim Financial Reporting* using accounting policies aligned with International Financial Reporting Standards (“IFRS”). These financial statements are consistent with Gear’s consolidated financial statements as at and for the year ended December 31, 2020. 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, 2020, which have been prepared in accordance with IFRS.

The financial statements were authorized for issue by the Board of Directors on May 5, 2021.

2. INVENTORY

As at March 31, 2021, Gear recorded oil inventory valued at its production cost of $6.4 million (December 31, 2020 - $5.6 million). Gear records changes in both the capital and operating components of inventory to the Interim Condensed Consolidated Statements of Loss and Comprehensive Loss. During the first quarter of 2020, Gear recorded a $4.3 million impairment on its inventory to reduce the carrying amount to the lower of cost and net realizable value.

3. PROPERTY, PLANT AND EQUIPMENT AND IMPAIRMENT

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

Cost ($ thousands)	**Development and Production Assets**	**Administrative Assets**	**Total**
Balance, December 31, 2019	847,796	1,436	849,232
Additions	12,452	(11)	12,441
Acquisitions	203	-	203
Disposals	(200)	-	(200)
Change in decommissioning costs	2,126	-	2,126
Balance, December 31, 2020	862,377	1,425	863,802
Additions	7,880	3	7,883
Change in decommissioning costs	(6,153)	-	(6,153)
Balance, March 31, 2021	864,104	1,428	865,532
Depletion, depreciation and amortization			
Balance, December 31, 2019	531,006	1,191	532,197
Depletion, depreciation and amortization	35,361	79	35,440
Impairment	51,225	-	51,225
Balance, December 31, 2020	617,592	1,270	618,862
Depletion, depreciation and amortization	9,286	14	9,300
Balance, March 31, 2021	626,878	1,284	628,162

Carrying amounts ($ thousands)	**Development and Production Assets**	**Administrative Assets**	**Total**
As at December 31, 2020	244,785	155	244,940
As at March 31, 2021	237,226	144	237,370

As at March 31, 2021, no indicators of impairment or impairment reversal were identified on the property, plant and equipment.

As at March 31, 2020, indicators of impairment were identified on property, plant and equipment due to the severe decline in commodity prices. As at December 31, 2020, indicators of an impairment reversal were identified as a result of the increase in commodity prices and Gear's market capitalization since the last impairment test performed as at March 31, 2020. An impairment test was carried out at December 31, 2020 on each of Gear's Cash Generating Units ("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, 2020. As at March 31, 2020, and December 31, 2020, the estimated recoverable amounts were based on fair value less cost of disposal calculations using discount rates based on an estimated industry weighted average cost of capital ranging from 12 to 14 per cent, depending on the product composition of the assets in the CGU.

At March 31, 2020, Gear recorded an impairment loss of $93.9 million on its three CGUs. As a result of the impairment test performed at December 31, 2020, the recoverable amounts of the three CGUs exceeded their carrying values, and a $42.7 million impairment reversal, net of depletion was recorded.

4. DEBT

At March 31, 2021, Gear had a $42.5 million (December 31, 2020 – $42.5 million) revolving term credit facility, a $10 million (December 31, 2020 – $15 million) non-revolving term credit facility and a $7.5 million (December 31, 2020 – $7.5 million) operating facility, (collectively, the "Credit Facilities"), totaling $60 million (December 31, 2020 – $65.0 million). At March 31, 2021 Gear had $47.4 million drawn on the Credit Facilities (December 31, 2020 – $50.7 million) and outstanding letters of credit of $0.9 million (December 31, 2020 – $0.9 million). The Credit Facilities do not carry any financial covenants. Gear has an outstanding letter of credit with a counterparty separate from the Credit Facilities for $1.1 million (December 31, 2020 - $nil).

The total stamping fees on the operating facility and revolving facility range, depending on Gear's Debt to EBITDA ratio, between 200 bps to 400 bps on Canadian bank prime borrowings and between 300 bps and 500 bps on US dollar denominated LIBOR loans and Canadian dollar bankers' acceptances. The undrawn portion of the operating facility and revolving facility is subject to a standby fee in the range of 75 bps to 125 bps. The total stamping fees on the non-revolving facility range, depending on Gear's Debt to EBITDA ratio, between 500 bps to 700 bps on Canadian bank prime borrowings and between 600 bps and 800 bps on US dollar denominated LIBOR loans and Canadian dollar bankers' acceptances.

The maturity date on the Credit Facilities is May 27, 2022. The next borrowing base review is expected to be complete on or about May 31, 2021.

5. CONVERTIBLE DEBENTURES

On December 16, 2020, the shareholders of Gear approved certain amendments to the outstanding debentures. As a result, the outstanding subordinated unsecured convertible debentures (the "Convertible Debentures") have a maturity date of November 30, 2023 and carry a coupon of 7 per cent per annum payable semi-annually in arrears on May 31 and November 30 until maturity. The Convertible Debentures are convertible at the option of the holder at any time prior to the maturity date at a conversion price of $0.32 per common share such that for every $1,000 principal amount of Convertible Debentures a holder will receive approximately 3,125 common shares. Gear has the option to pay interest in-kind by issuing additional Convertible Debentures. The amendment was accounted for as a modification, and as result, a gain was recognized on the revaluation of the liability. Debenture holders converting their Convertible Debentures will be entitled to receive accrued and unpaid interest thereon for the period from the date of the latest interest payment date to, but excluding, the date of conversion.

Gear has the option to satisfy its obligation to repay the principal amount and all accrued interest owing on the Convertible Debentures due at maturity or redeem the Convertible Debentures by the issuance of common shares with the number of such common shares based on 95 per cent of the weighted average trading price of the common shares prior to the date of maturity or redemption. Any cash repayment of the principal amount of the Convertible Debentures will require consent of the lenders under the terms of the Credit Facilities.

The following table provides a continuity of balances of the Convertible Debentures and the equity component from December 31, 2018 to March 31, 2021:

($ thousands)	**Convertible Debentures**	**Equity component**
Balance, December 31, 2019	12,705	2,498
Accretion using effective interest rate at 8%	506	-
Conversions	(17)	(4)
Modification	(351)	-
Balance, December 31, 2020	12,843	2,494
Accretion using effective interest rate at 18%	320	-
Conversions	(9,884)	(1,869)
Balance, March 31, 2021	**3,279**	**625**

During the period, $9.9 million of outstanding Convertible Debentures were converted by the holders into 30.9 million common shares. Subsequent to March 31, 2021, the remaining Convertible Debentures were converted into 10.3 million common. As of May 5, 2021, no Convertible Debentures were outstanding.

6. DECOMMISSIONING LIABILITY

($ thousands)	**Three months ended March 31, 2021**	Year ended December 31, 2020
Balance, beginning of period	**87,470**	85,714
Changes in estimates	**(6,576)**	1,857
Additions	**423**	393
Dispositions	**-**	(124)
Liabilities settled – Gear	**(396)**	(920)
Liabilities settled – Government assistance	**(1,041)**	(585)
Accretion	**400**	1,135
Balance, end of period	**80,280**	87,470
Expected to be incurred within one year	**3,952**	2,714
Expected to be incurred beyond one year	**76,328**	84,756

The undiscounted and unescalated amount of the expected cash flows required to settle the decommissioning liability is estimated to be $80.3 million as at March 31, 2021 (December 31, 2020 – $87.5 million). The liability for the expected cash flows, as reflected in the financial statements, has been inflated at 1.97 per cent (December 31, 2020 – 1.85 per cent) and discounted using a risk-free rate of 1.97 per cent (December 31, 2020 – 1.85 per cent). Abandonments are expected to occur between 2021 and 2046 and related costs will be funded mainly from cash provided by Gear's operating activities. On April 17, 2020, the federal government announced that as part of its COVID-19 Economic Response Plan it would provide the oil and gas industry $1.7 billion to clean up orphan and inactive wells in Alberta, Saskatchewan and British Columbia under a Site Rehabilitation Program ("SRP"). For the three months ended March 31, 2021, the program provided Gear $1.0 million (for the year ended December 31, 2020 – $585 thousand) towards extinguishing decommissioning liabilities.

7. RISK MANAGEMENT CONTRACTS

Gear uses or plans to use a variety of derivative instruments to reduce its exposure to fluctuations in commodity prices, foreign exchange rates, and interest rates. Gear has not designated its risk management contracts as effective hedges, and thus has not applied hedge accounting.

The following is a summary of all risk management contracts in place as at March 31, 2021:

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, 2021	Jun 30, 2021	Three-way collar	CAD	1,100	-	70.50	55.00	45.00
Apr 1, 2021	Jun 30, 2021	Three-way collar	CAD	800	-	71.00	55.00	45.00
Apr 1, 2021	Jun 30, 2021	Three-way collar	CAD	300	-	83.00	55.00	45.00
Jul 1, 2021	Dec 31, 2021	Three-way collar	CAD	800	-	74.00	55.00	45.00
Jul 1, 2021	Dec 31, 2021	Enhanced swap	CAD	1,200	65.85	-	-	50.00
Jul 1, 2021	Dec 31, 2021	Three-way collar	CAD	400	-	83.00	55.00	45.00

Financial AECO Natural Gas Contracts					
Term		Contract	Currency	Volume GJ/d	Sold Swap $/GJ
Apr 1, 2021	Dec 31, 2021	Swap	CAD	2,400	2.75

As at March 31, 2021, the fair value associated with Gear's risk management contracts was a liability of $2.8 million ($19 thousand liability at December 31, 2020).

The following table summarizes the change in the net risk management contracts asset (liability) during the period ended March 31, 2021 and year ended December 31, 2020:

($ thousands)	**Three months ended March 31, 2021**	Year ended December 31, 2020
Balance, beginning of period	**(19)**	(3,094)
Unrealized (loss) gain on risk management contracts	**(2,806)**	3,075
Balance, end of period	**(2,825)**	(19)

8. SHAREHOLDERS' EQUITY

Gear is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. Holders of common shares are entitled to dividends if declared by the Board, one vote per share, and upon liquidation, dissolution or winding up of the Company, the remaining property and assets of Gear. There are no outstanding preferred shares as at March 31, 2021 or December 31, 2020.

a) Share Capital

	Three months ended March 31, 2021			Year ended December 31, 2020		
(thousands of shares and $ thousands)	**Shares**		**Amount**	Shares		Amount
Balance, beginning of period	**216,490**	**$**	**333,711**	217,610	$	335,455
Common shares repurchased	**-**		**-**	(1,142)		(1,764)
Exercise of stock options	**41**		**12**	-		-
Issued on conversion of debentures	**30,884**		**11,753**	22		20
Balance, end of period	**247,415**	**$**	**345,476**	216,490	$	333,711

b) Stock Options

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, 2021 and December 31, 2020 for grants made under the plan with a five-year expiry. During the period ended March 31, 2021, Gear cash settled the remaining options under the plan for $29 thousand. No options are outstanding as of March 31, 2021 under the five-year expiry plan.

	Three months ended March 31, 2021			Year ended December 31, 2020		
(thousands)	**Number of stock options**		**Weighted average exercise price**	Number of stock options		Weighted average exercise price
Outstanding, beginning of period	**688**	**$**	**0.35**	2,724	$	1.27
Expired	**-**		**-**	(2,013)		1.90
Forfeited	**(9)**		**0.35**	(23)		0.45
Settled	**(679)**		**0.35**	-		-
Outstanding, end of period	**-**		**-**	688		0.35
Exercisable, end of period	**-**	**$**	**-**	688	$	0.35

The following table summarizes Gear's stock option plan activity during the periods ended March 31, 2021 and December 31, 2020 for grants made under the plan with a thirty-day expiry following their vesting date.

	Three months ended March 31, 2021			Year ended December 31, 2020		
(thousands)	**Number of stock options**		**Weighted average exercise price**	Number of stock options		Weighted average exercise price
Outstanding, beginning of period	**12,584**	**$**	**0.40**	12,536	$	0.61
Granted	**2,694**		**0.39**	5,853		0.20
Exercised	**(97)**		**0.29**	-		-
Expired	**(187)**		**0.68**	(5,415)		0.67
Forfeited	**(504)**		**0.41**	(390)		0.54
Outstanding, end of period	**14,490**		**0.39**	12,584		0.40
Exercisable, end of period	**528**	**$**	**0.70**	187	$	0.68

During 2021, Gear has recorded an expense of $73 thousand (2020 – $134 thousand) 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:

	Three months ended March 31, 2021	Year ended December 31, 2020
Risk free interest rate (%)	**0.25**	0.32
Average expected life (years)	**2.1**	2.1
Average expected volatility (%)	**35.0**	32.3
Forfeiture rate (%)	**10.0**	10.0

c) Weighted average common shares

(thousands)	**Three months ended March 31, 2021**	Year ended December 31, 2020
Basic	**221,090**	216,545
Diluted	**221,090**	216,545

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

9. INCOME TAXES

Deferred income tax assets are recognized for tax loss and tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. A deferred tax asset in the amount of $74.3 million (2020 - $74.3 million) has not been recognized as Management does not find it probable that the benefit will be realized. Included in this tax basis are estimated non-capital loss carry forwards that expire in the years 2027 through 2041.

10. FINANCIAL INSTRUMENTS

Classification and Measurement

Gear's financial instruments on the Interim Condensed Consolidated Balance Sheet are carried at amortized cost with the exception of risk management contracts, which are carried at fair value. As at March 31, 2021 and December 31, 2020, 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
Gear is exposed to a number of different financial risks arising from normal course business exposures, as well as the Company's use of financial instruments. There have been no changes in the Company's objectives, policies or risks surrounding financial instruments.

(a) *Liquidity risk*
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company believes that it has access to sufficient capital through internally generated cash flows and external sources (bank credit markets and equity financing, if required) to meet current spending forecasts.

Gear's Credit Facilities are periodically reviewed by its lenders through scheduled borrowing base reviews at which time the facilities can be adjusted. In the event that the borrowing base is reduced below the amount drawn, Gear would have 30 days to eliminate the borrowing base shortfall by repaying the amount drawn in excess of the adjusted borrowing base. If this occurs, alternative external sources of funding will be necessary. After examining the economic factors that could cause liquidity risk, the Company believes it will have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months. The next borrowing base review is scheduled for May 31, 2021. There can be no assurance that future borrowing base reviews will not result in a material reduction in the borrowing base, and that the necessary funds will be available to meet Gear's obligations as they become due. In addition, there can be no assurances that Gear's Credit Facilities will be extended beyond the May 27, 2022 maturity date.

All the accounts payable and accrued liabilities are due in less than one year. The outstanding amounts on the Credit Facilities are due on May 27, 2022. Subsequent to period end, all the Convertible Debentures were converted in full into common shares. For additional information regarding the Convertible Debentures see Note 5 "Convertible Debentures".

(b) *Credit risk*
Gear is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of petroleum and natural gas and other parties. In the event such entities fail to meet their contractual obligations to Gear, such failures could have a material adverse effect. The Company manages the risk by reviewing the credit risk of these entities and by entering agreements only with parties that meet certain credit tests. The maximum credit risk that the Company is exposed to is the carrying value of accounts receivable and risk management contracts.

The majority of the credit exposure on accounts receivable at March 31, 2021 pertains to accrued revenue for March 2021 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 one marketing company. At March 31, 2021, 25 per cent (December 31, 2020 – 15 percent) of the total outstanding accounts receivable pertains to this company. 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, 2021.

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. At March 31, 2021 $0.4 million (December 31, 2020 - $0.3 million) of accounts receivable are past due with all amounts collectable.

11. PETROLEUM AND NATURAL GAS SALES

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 March 31, 2021**	Three months ended March 31, 2020
Heavy oil	**14,051**	10,010
Light and medium oil	**8,601**	8,147
Natural gas liquids	**465**	208
Natural gas	**1,109**	806
Total petroleum and natural gas sales	**24,226**	19,171

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:

($ thousands)	**Three months ended March 31, 2021**	Three months ended March 31, 2020
Accounts receivable	**(1,708)**	4,239
Prepaid expenses	**216**	153
Inventory	**(714)**	591
Accounts payable and accrued liabilities	**5,626**	(1,344)
Total	**3,420**	3,639
Operating Activities	**2,035**	4,201
Investing Activities	**1,385**	(562)
Total	**3,420**	3,639

13. COMMITMENTS AND CONTINGENCIES

The following is a summary of Gear's contractual obligations and commitments as at March 31, 2021:

	Payments due by period					
($ thousands)	2021	2022	2023	2024	2025	Total
Office leases (1)	167	257	415	428	250	1,517
Service agreement	137	182	48	-	-	367
Total contractual obligations	304	439	463	428	250	1,884

(1) Includes base rent and estimated operating costs.

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.

Subsequent to period end, Gear entered into a transportation agreement that extends to 2030. The total commitment is estimated to be $4.3 million.