

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

(Cdn\$ thousands)	March 31, 2022	December 31, 2021
ASSETS		
Current assets		
Accounts receivable	\$ 20,387	\$ 12,383
Prepaid expenses	3,043	3,212
Inventory (Note 2)	7,294	6,631
	30,724	22,226
Deferred income tax asset (Note 8)	32,888	32,888
Property, plant and equipment (Note 3)	263,221	263,649
Total assets	\$ 326,833	\$ 318,763
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 17,401	\$ 11,701
Decommissioning liability (Note 6)	6,431	7,343
Risk management contracts (Note 9)	4,807	2,595
	28,639	21,639
Debt (Note 4)	20,029	26,355
Decommissioning liability (Note 6)	72,673	71,721
Total liabilities	121,341	119,715
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	350,855	350,332
Contributed surplus	19,031	19,337
Deficit	(164,394)	(170,621)
Total shareholders' equity	205,492	199,048
Total liabilities and shareholders' equity	\$ 326,833	\$ 318,763

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, 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	12	-	(42)	-	(30)
Share-based compensation (Note 7)	-	-	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
Balance, beginning of period	\$ 350,332	\$ -	\$ 19,337	\$ (170,621)	\$ 199,048
Stock option exercise (Note 7)	523	-	(510)	-	13
Share-based compensation (Note 7)	-	-	204	-	204
Net income for the period	-	-	-	6,227	6,227
Balance at March 31, 2022	\$ 350,855	\$ -	\$ 19,031	\$ (164,394)	\$ 205,492

See accompanying notes to the unaudited Interim Condensed Consolidated Financial Statements

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

(Cdn\$ thousands, except per share amounts)	2022	2021
REVENUE		
Petroleum and natural gas sales (Note 10)	\$ 45,524	\$ 24,226
Royalties	(4,815)	(2,288)
	40,709	21,938
Realized loss on risk management contracts	(7,240)	(2,187)
Unrealized loss on risk management contracts	(2,212)	(2,806)
	31,257	16,945
EXPENSES		
Operating	10,159	8,405
Transportation	1,762	966
General and administrative	2,477	1,138
Interest and financing charges	307	941
Depletion, depreciation and amortization (Note 2 and 3)	9,668	8,151
Accretion (Notes 5 and 6)	471	720
Share-based compensation (Note 7)	204	73
(Gain) loss on foreign exchange	(18)	48
	25,030	20,442
Deferred income tax expense (Note 8)	-	-
Net income (loss) and comprehensive income (loss)	\$ 6,227	\$ (3,497)
Net income (loss) per share, basic and diluted (Note 7)	\$ 0.02	\$ (0.02)

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)	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 6,227	\$ (3,497)
Add items not involving cash:		
Unrealized loss on risk management contracts	2,212	2,806
Depletion, depreciation and amortization	9,668	8,151
Accretion	471	720
Share-based compensation	204	73
Decommissioning liabilities settled (Note 6)	(912)	(396)
Change in non-cash working capital (Note 11)	(2,530)	2,035
	15,340	9,892
CASH FLOWS USED IN FINANCING ACTIVITIES		
Change in debt under credit facilities	(6,326)	(3,365)
Settlement of stock options (Note 7)	-	(29)
Exercise of stock options (Note 7)	13	-
	(6,313)	(3,394)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Property, plant and equipment expenditures	(8,687)	(7,883)
Change in non-cash working capital (Note 11)	(340)	1,385
	(9,027)	(6,498)
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	\$ 307	\$ 733

See accompanying notes to the unaudited Interim Condensed Consolidated Financial Statements

GEAR ENERGY LTD.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

March 31, 2022 and 2021

(all tabular amounts in Cdn\$ thousands, except as noted)

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, 2021. 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, 2021, which have been prepared in accordance with IFRS.

The financial statements were authorized for issue by the Board of Directors on May 4, 2022.

2. INVENTORY

As at March 31, 2022, Gear recorded oil inventory valued at its production cost of \$7.3 million (December 31, 2021 - \$6.6 million). Gear records changes in both the capital and operating components of inventory to the Interim Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

As at March 31, 2022 and December 31, 2021, there were no indicators of impairment for inventory.

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, 2020	862,377	1,425	863,802
Additions	28,822	62	28,884
Change in decommissioning costs	(5,288)	-	(5,288)
Balance, December 31, 2021	885,911	1,487	887,398
Additions	8,683	4	8,687
Change in decommissioning costs	481	-	481
Balance, March 31, 2022	895,075	1,491	896,566
Depletion, depreciation and amortization			
Balance, December 31, 2020	617,592	1,270	618,862
Depletion, depreciation and amortization	38,502	60	38,562
Impairment reversal	(33,675)	-	(33,675)
Balance, December 31, 2021	622,419	1,330	623,749
Depletion, depreciation and amortization	9,580	16	9,596
Balance, March 31, 2022	631,999	1,346	633,345
Carrying amounts (\$ thousands)			
As at December 31, 2021	263,492	157	263,649
As at March 31, 2022	263,076	145	263,221

As at March 31, 2022, no indicators of impairment or impairment reversal were identified on the property, plant and equipment.

As at December 31, 2021, indicators of an impairment reversal were identified as a result of the increase in commodity prices and Gear’s market capitalization. An impairment test was carried out at December 31, 2021 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, 2021. As at December 31, 2021 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. As a result of the impairment test performed at December 31, 2021, the recoverable amounts of the three CGUs exceeded their carrying values, and a \$33.7 million impairment reversal, net of depletion, was recorded in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

4. DEBT

At March 31, 2022, Gear had the following credit facilities (collectively, the "Credit Facilities"):

Facility (\$ thousands)	Classification	Borrowing base		Maturity Date
		March 31, 2022	December 31, 2021	
Revolving term facility	Long term	34,500	34,500	May 27, 2023
Operating facility	Long term	7,500	7,500	May 27, 2023
Total		42,000	42,000	

At March 31, 2022 Gear had \$20.0 million drawn on the Credit Facilities (December 31, 2021 – \$26.4 million) and outstanding letters of credit of \$0.9 million (December 31, 2021 – \$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, 2021 - \$nil).

The total stamping fees on the Credit Facilities, 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 Credit Facilities 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.

Subsequent to period end, the borrowing base review was completed with no changes to the borrowing base. The maturity date for the Credit Facilities was extended to May 25, 2024. The next borrowing base review is expected to be completed on or about November 30, 2022.

5. CONVERTIBLE DEBENTURES

As at March 31, 2022 and December 31, 2021, no subordinated unsecured convertible debentures (the "Convertible Debentures") were outstanding. During the year ended December 31, 2021, \$13.2 million of the Convertible Debentures were converted into 41.2 million common shares.

The following table provides a continuity of balances of the Convertible Debentures and the equity component from December 31, 2020 to December 31, 2021:

(\$ thousands)	Convertible Debentures	Equity component
Balance, December 31, 2020	12,843	2,494
Accretion using effective interest rate at 18%	342	-
Conversions	(13,185)	(2,494)
Balance, December 31, 2021	-	-

6. DECOMMISSIONING LIABILITY

(\$ thousands)	Three months ended		Year ended	
	March 31, 2022		December 31, 2021	
Balance, beginning of period	79,064		87,470	
Changes in estimates	328		(6,061)	
Additions	153		773	
Liabilities settled – Gear	(912)		(1,619)	
Liabilities settled – Government assistance	-		(3,022)	
Accretion	471		1,523	
Balance, end of period	79,104		79,064	
Expected to be incurred within one year	6,431		7,343	
Expected to be incurred beyond one year	72,673		71,721	

The undiscounted and unescalated amount of the expected cash flows required to settle the decommissioning liability is estimated to be \$79.1 million as at March 31, 2022 (December 31, 2021 – \$79.1 million). The liability for the expected cash flows, as reflected in the financial statements, has been inflated at 2.37 per cent (December 31, 2021 – 1.76 per cent) and discounted using a risk-free rate of 2.37 per cent (December 31, 2021 – 1.76 per cent). Abandonments are expected to occur between 2022 and 2050 and related costs will be funded mainly from cash provided by Gear's operating activities. As part of the federal government's 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, 2022, the program provided Gear \$nil (for the year ended December 31, 2021 – \$3.0 million) towards extinguishing decommissioning liabilities.

7. 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, 2022 or December 31, 2021.

a) Share Capital

(thousands of shares and \$ thousands)	Three months ended		Year ended	
	March 31, 2022		December 31, 2021	
	Shares	Amount	Shares	Amount
Balance, beginning of period	260,169	\$ 350,332	216,490	\$ 333,711
Exercise of stock options	590	523	2,476	942
Issued on conversion of debentures	-	-	41,203	15,679
Balance, end of period	260,759	\$ 350,855	260,169	\$ 350,332

For the three months ended March 31, 2022, 0.8 million stock options (December 31, 2021 – 4.4 million) were exercised for 0.6 million common shares (December 31, 2021 – 2.5 million). Of the total stock options exercised, 0.2 million stock options were exercised on a cash-less basis (December 31, 2021 – 1.9 million).

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.

During 2021, the remaining balance of 0.7 million options made under the plan with a five-year expiry, with a weighted average exercise price of \$0.35, was cash settled for \$29 thousand. No options are outstanding as of March 31, 2022 and December 31, 2021 under the five-year expiry plan.

The following table summarizes Gear's stock option plan activity during the periods ended March 31, 2022 and December 31, 2021 for grants made under the plan with a thirty-day expiry following their vesting date.

(thousands)	Three months ended March 31, 2022		Year ended December 31, 2021	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	16,755	\$ 0.57	12,584	\$ 0.40
Granted	723	1.50	10,614	0.73
Exercised	(764)	0.39	(4,372)	0.34
Expired	-	-	(1,567)	0.98
Forfeited	(364)	0.58	(504)	0.41
Outstanding, end of period	16,350	0.62	16,755	0.57
Exercisable, end of period	314	\$ 0.42	-	\$ -

During the three months ended March 31, 2022, Gear has recorded an expense of \$0.2 million (2021 – \$0.1 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:

	Three months ended March 31, 2022	Year ended December 31, 2021
Risk free interest rate (%)	1.37	0.58
Average expected life (years)	2.1	2.1
Average expected volatility (%)	30.4	32.2
Forfeiture rate (%)	10.0	10.0

c) Weighted average common shares

(thousands, except per \$ share amounts)	Three months ended March 31, 2022	Three months ended March 31, 2021
Basic	260,331	221,090
Diluted	269,016	221,090
Net income (loss) per share – basic and diluted	0.02	(0.02)

When the impact is anti-dilutive, Convertible Debentures and stock options are excluded from the calculation of diluted weighted average common shares.

d) Dividends

Subsequent to period end, on May 4, 2022, the Board of Directors approved and declared a variable quarterly dividend of \$0.01 per common share, designated as an eligible dividend, payable in cash to shareholders of record on May 16, 2022. The dividend payment date is May 30, 2022.

e) Normal Course Issuer Bid

Subsequent to period end, on May 4, 2022, the Board of Directors approved the filing of a Normal Course Issuer Bid ("NCIB"). The Toronto Stock Exchange ("TSX") has approved Gear's NCIB to purchase, for cancellation, up to 24,029,161 of its outstanding common shares. Purchases under the NCIB may be made through the facilities of the TSX and is expected to commence on May 9, 2022, continuing until May 8, 2023, when the bid expires, or such earlier date on which Gear has either acquired the maximum number of common shares allowable under the NCIB or otherwise decides not to make any further repurchases under the NCIB.

8. 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. As at March 31, 2022 and December 31, 2021, a deferred tax asset in the amount of \$32.9 million was recognized, and \$83.2 million remains unrecognized, as Management did 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.

9. 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, 2022 and December 31, 2021, 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) Commodity price and foreign currency exchange risk

Gear is subject to commodity price risk on the delivery of crude oil, and to a lesser extent, natural gas and natural gas liquids ("NGL"). These prices have a significant impact on the Company's financial condition and are subject to volatility as a result of a number of different external factors. North American crude oil, natural gas and NGL prices are based upon US dollar denominated commodity prices. As a result, the price received by Canadian producers is affected by the Canadian/US dollar exchange rate.

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, 2022:

Financial WTI Crude Oil Contracts								
Term	Contract	Currency	Volume	Sold Swap	Sold Call	Bought Put	Sold Put	
			bbl/d	\$/bbl	\$/bbl	\$/bbl	\$/bbl	\$/bbl
Apr 1, 2022	Jun 30, 2022	Put spread ⁽¹⁾	CAD	2,400	-	-	62.50	50.00
Jul 1, 2022	Sep 30, 2022	Three-way collar	CAD	2,400	-	116.50	62.50	50.00
Oct 1, 2022	Dec 31, 2022	Three-way collar	CAD	1,200	-	120.00	65.00	50.00

(1) The put spread also has a deferred premium of \$2.32 per barrel.

As at March 31, 2022, the fair value associated with Gear's risk management contracts was a liability of \$4.8 million (\$2.6 million liability at December 31, 2021).

The following table summarizes the change in the net risk management contracts liability during the period ended March 31, 2022 and year ended December 31, 2021:

(\$ thousands)	Three months ended March 31, 2022	Year ended December 31, 2021
Balance, beginning of period	(2,595)	(19)
Unrealized loss on risk management contracts	(2,212)	(2,576)
Balance, end of period	(4,807)	(2,595)

(b) *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 borrowing base of such 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. 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 25, 2024 maturity date. The next borrowing base review is expected to be completed on or about November 30, 2022.

All the accounts payable and accrued liabilities are due in less than one year. As at March 31, 2022 no debt was classified as current.

(c) *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, 2022 pertains to accrued revenue for March 2022 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 (December 31, 2021 – three) marketing companies. At March 31, 2022, 56 per cent (December 31, 2021 – 58 per cent) of the 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 March 31, 2022.

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, 2022 \$0.3 million (December 31, 2021 - \$0.5 million) of accounts receivable are past due with all amounts collectable.

10. 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, 2022	Three months ended March 31, 2021
Heavy oil	26,265	14,051
Light and medium oil	15,684	8,601
Natural gas liquids	1,548	465
Natural gas	2,027	1,109
Total petroleum and natural gas sales	45,524	24,226

11. 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, 2022	Three months ended March 31, 2021
Accounts receivable	(8,004)	(1,708)
Prepaid expenses	169	216
Inventory	(735)	(714)
Accounts payable and accrued liabilities	5,700	5,626
Total	(2,870)	3,420
Operating Activities	(2,530)	2,035
Investing Activities	(340)	1,385
Total	(2,870)	3,420

12. COMMITMENTS AND CONTINGENCIES

The following is a summary of Gear's contractual obligations and commitments as at March 31, 2022:

(\$ thousands)	Payments due by period						Total
	2022	2023	2024	2025	2026	Thereafter	
Office leases ⁽¹⁾	275	488	433	232	-	-	1,428
Service agreement	137	48	-	-	-	-	185
Transportation agreement	-	414	414	414	414	1,394	3,050
Total contractual obligations	412	950	847	646	414	1,394	4,663

(1) Includes base rent and estimated operating costs.

During 2021, Gear entered into a transportation agreement that extends to 2030. The total remaining commitment is estimated to be \$3.1 million.

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.