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

(Cdn$ thousands)		**June 30, 2022**		December 31, 2021
ASSETS				
Current assets				
Accounts receivable	**$**	**21,708**	$	12,383
Prepaid expenses		**3,643**		3,212
Inventory (Note 2)		**7,822**		6,631
		33,173		22,226
Deferred income tax asset (Note 8)		**32,888**		32,888
Property, plant and equipment (Note 3)		**258,178**		263,649
Total assets	**$**	**324,239**	$	318,763
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**18,821**	$	11,701
Decommissioning liability (Note 6)		**5,081**		7,343
Risk management contracts (Note 9)		**5,398**		2,595
		29,300		21,639
Debt (Note 4)		**4,577**		26,355
Decommissioning liability (Note 6)		**69,314**		71,721
Total liabilities		**103,191**		119,715
SHAREHOLDERS' EQUITY				
Share capital (Note 7)		**346,737**		350,332
Contributed surplus		**18,438**		19,337
Deficit		**(144,127)**		(170,621)
Total shareholders' equity		**221,048**		199,048
Total liabilities and shareholders' equity	**$**	**324,239**	$	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 six months ended June 30
(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		15,679		(2,494)		-		-		13,185
Stock option exercise and settlement		110		-		(136)		-		(26)
Share-based compensation (Note 7)		-		-		194		-		194
Net loss for the period		-		-		-		(4,227)		(4,227)
Balance at June 30, 2021	**$**	**349,500**	**$**	**-**	**$**	**19,901**	**$**	**(255,346)**	**$**	**114,055**
Balance, beginning of period	$	350,332	$	-	$	19,337	$	(170,621)	$	199,048
Stock option exercise (Note 7)		1,281		-		(1,334)		-		(53)
Common shares repurchased (Note 7)		(4,876)		-		24		(432)		(5,284)
Share-based compensation (Note 7)		-		-		411		-		411
Dividends (Note 7)		-		-		-		(2,610)		(2,610)
Net income for the period		-		-		-		29,536		29,536
Balance at June 30, 2022	**$**	**346,737**	**$**	**-**	**$**	**18,438**	**$**	**(144,127)**	**$**	**221,048**

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)

	Three Months Ended June 30		Six Months Ended June 30	
(Cdn$ thousands, except per share amounts)	**2022**	2021	**2022**	2021
REVENUE				
Petroleum and natural gas sales (Note 10)	**$ 57,635**	$ 29,651	**$ 103,159**	$ 53,877
Royalties	**(8,182)**	(3,285)	**(12,997)**	(5,573)
	49,453	26,366	**90,162**	48,304
Realized loss on risk management contracts	**(506)**	(2,749)	**(7,746)**	(4,936)
Unrealized loss on risk management contracts	**(591)**	(3,878)	**(2,803)**	(6,684)
	48,356	19,739	**79,613**	36,684
EXPENSES				
Operating	**11,490**	8,248	**21,649**	16,653
Transportation	**1,869**	1,021	**3,631**	1,987
General and administrative	**1,543**	1,316	**4,020**	2,454
Interest and financing charges	**310**	689	**617**	1,630
Depletion, depreciation and amortization (Note 2 and 3)	**9,042**	8,560	**18,710**	16,711
Accretion (Notes 5 and 6)	**621**	393	**1,092**	1,113
Share-based compensation (Note 7)	**207**	121	**411**	194
(Gain) loss on foreign exchange	**(35)**	121	**(53)**	169
	25,047	20,469	**50,077**	40,911
Deferred income tax expense (Note 8)	**-**	-	**-**	-
Net income (loss) and comprehensive income (loss)	**$ 23,309**	$ (730)	**$ 29,536**	$ (4,227)
Net income (loss) per share, basic and diluted (Note 7)	**$ 0.09**	$ -	**$ 0.11**	$ (0.02)

See accompanying notes to the unaudited Interim Condensed Consolidated Financial Statements

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

	Three Months Ended June 30		Six Months Ended June 30	
(Cdn$ thousands)	**2022**	2021	**2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	**$ 23,309**	$ (730)	**$ 29,536**	$ (4,227)
Add items not involving cash:				
Unrealized loss on risk management contracts	**591**	3,878	**2,803**	6,684
Depletion, depreciation and amortization	**9,042**	8,560	**18,710**	16,711
Accretion	**621**	393	**1,092**	1,113
Share-based compensation	**207**	121	**411**	194
Decommissioning liabilities settled (Note 6)	**(1,100)**	(183)	**(2,012)**	(579)
Change in non-cash working capital (Note 11)	**(3,002)**	2,928	**(5,532)**	4,963
	29,668	14,967	**45,008**	24,859
CASH FLOWS USED IN FINANCING ACTIVITIES				
Change in debt under credit facilities	**(15,452)**	(9,300)	**(21,778)**	(12,665)
Settlement of stock options (Note 7)	**-**	-	**-**	(29)
Exercise of stock options (Note 7)	**(66)**	3	**(53)**	3
Common shares repurchased (Note 7)	**(5,284)**	-	**(5,284)**	-
Cash dividends	**(2,610)**	-	**(2,610)**	-
	(23,412)	(9,297)	**(29,725)**	(12,691)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Property, plant and equipment expenditures	**(8,091)**	(5,809)	**(16,778)**	(13,692)
Change in non-cash working capital (Note 11)	**1,835**	139	**1,495**	1,524
	(6,256)	(5,670)	**(15,283)**	(12,168)
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 flow from operating activities:				
Interest paid in cash	**$ 310**	$ 674	**$ 617**	$ 1,407

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, 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 July 27, 2022.

2. INVENTORY

As at June 30, 2022, Gear recorded oil inventory valued at its production cost of $7.8 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 June 30, 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	16,720	58	16,778
Change in decommissioning costs	(3,499)	-	(3,499)
Balance, June 30, 2022	899,132	1,545	900,677
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	18,713	37	18,750
Balance, June 30, 2022	641,132	1,367	642,499

Carrying amounts ($ thousands)	**Development and Production Assets**	**Administrative Assets**	**Total**
As at December 31, 2021	263,492	157	263,649
As at June 30, 2022	258,000	178	258,178

As at June 30, 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 June 30, 2022, Gear had the following credit facilities (collectively, the "Credit Facilities"):

Facility ($ thousands)	**Classification**	**Borrowing base** June 30, 2022	December 31, 2021	**Maturity date**
Revolving term facility	Long term	34,500	34,500	May 25, 2024
Operating facility	Long term	7,500	7,500	May 25, 2024
Total		42,000	42,000	

At June 30, 2022 Gear had $4.6 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.

The next borrowing base review is expected to be completed on or about November 30, 2022.

5. CONVERTIBLE DEBENTURES

As at June 30, 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)	**Six months ended June 30, 2022**	Year ended December 31, 2021
Balance, beginning of period	**79,064**	87,470
Change in estimated future costs	**9,524**	(6,061)
Change in discount and inflation rate estimates	**(13,266)**	-
Additions	**243**	773
Liabilities settled – Gear	**(2,012)**	(1,619)
Liabilities settled – Government assistance	**(250)**	(3,022)
Accretion	**1,092**	1,523
Balance, end of period	**74,395**	79,064
Expected to be incurred within one year	**5,081**	7,343
Expected to be incurred beyond one year	**69,314**	71,721

The undiscounted and unescalated amount of the expected cash flows required to settle the decommissioning liability is estimated to be $88.4 million as at June 30, 2022 (December 31, 2021 – $79.1 million). The liability for the expected cash flows, as reflected in the financial statements, has been inflated at 2.00 per cent (December 31, 2021 – 1.76 per cent) and discounted using a risk-free rate of 3.14 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 and six months ended June 30, 2022, the program provided Gear $0.3 million (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 June 30, 2022 or December 31, 2021.

a) Share Capital

	Six months ended June 30, 2022		Year ended December 31, 2021	
(thousands of shares and $ thousands)	**Shares**	**Amount**	Shares	Amount
Balance, beginning of period	**260,169**	**$ 350,332**	216,490	$ 333,711
Common shares repurchased	**(3,639)**	**(4,876)**	-	-
Exercise of stock options	**1,643**	**1,281**	2,476	942
Issued on conversion of debentures	**-**	**-**	41,203	15,679
Balance, end of period	**258,173**	**$ 346,737**	260,169	$ 350,332

For the six months ended June 30, 2022, 2.4 million stock options (December 31, 2021 – 4.4 million) were exercised for 1.6 million common shares (December 31, 2021 – 2.5 million). Of the total stock options exercised, 0.8 million stock options were exercised on a share-less basis (December 31, 2021 – 1.9 million).

b) Normal Course Issuer Bid

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, commencing on May 9, 2022 and 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.

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 three and six months periods ended June 30, 2022, 3.6 million common shares were repurchased at an average cost of $1.45 per share.

c) 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 June 30, 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 June 30, 2022 and December 31, 2021 for grants made under the plan with a thirty-day expiry following their vesting date.

	Six months ended June 30, 2022			Year ended December 31, 2021		
(thousands)	**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	**3,555**		**1.44**	10,614		0.73
Exercised	**(2,424)**		**0.47**	(4,372)		0.34
Expired	**-**		**-**	(1,567)		0.98
Forfeited	**(783)**		**0.71**	(504)		0.41
Outstanding, end of period	**17,103**		**0.76**	16,755		0.57
Exercisable, end of period	**-**	**$**	**-**	-	$	-

During the three and six months ended June 30, 2022, Gear has recorded an expense of $0.2 million and $0.4 million (2021 – $0.1 million and $0.2 million) respectively, 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:

	Six months ended June 30, 2022	Year ended December 31, 2021
Risk free interest rate (%)	**2.33**	0.58
Average expected life (years)	**2.1**	2.1
Average expected volatility (%)	**27.6**	32.2
Forfeiture rate (%)	**10.0**	10.0

d) Weighted average common shares

	Three months ended June 30,		Six months ended June 30,	
(thousands, except per $ share amounts)	**2022**	2021	**2022**	2021
Basic	**260,561**	247,415	**260,447**	234,325
Diluted	**268,353**	247,415	**268,133**	234,325
Net income (loss) per share – basic and diluted	**0.09**	-	**0.11**	(0.02)

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

e) Dividends

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. On May 30, 2022, $2.6 million in dividends was paid.

Subsequent to period end, on July 27, 2022, the Board of Directors approved and declared a dividend of $0.02 per common share, designated as an eligible dividend, payable in cash to shareholders of record on August 15, 2022. The dividend payment date is August 31, 2022.

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 June 30, 2022 and December 31, 2021, a deferred tax asset in the amount of $32.9 million was recognized, with a significant portion remaining 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 June 30, 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 June 30, 2022:

Financial WTI Crude Oil Contracts

Term		Contract	Currency	Volume bbl/d	Sold Swap $/bbl	Sold Call $/bbl	Bought Put $/bbl	Sold Put $/bbl
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

As at June 30, 2022, the fair value associated with Gear's risk management contracts was a liability of $5.4 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 June 30, 2022 and year ended December 31, 2021:

($ thousands)	**Six months ended June 30, 2022**	Year ended December 31, 2021
Balance, beginning of period	**(2,595)**	(19)
Unrealized loss on risk management contracts	**(2,803)**	(2,576)
Balance, end of period	**(5,398)**	(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 June 30, 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 June 30, 2022 pertains to accrued revenue for June 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 June 30, 2022, 41 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 June 30, 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 June 30, 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:

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2022**	2021	**2022**	2021
Heavy oil	**28,534**	18,138	**54,799**	32,189
Light and medium oil	**23,999**	9,990	**39,683**	18,591
Natural gas liquids	**1,606**	464	**3,154**	929
Natural gas	**3,496**	1,059	**5,523**	2,168
Total petroleum and natural gas sales	**57,635**	29,651	**103,159**	53,877

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:

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2022**	2021	**2022**	2021
Accounts receivable	**(1,321)**	(1,321)	**(9,325)**	(3,029)
Prepaid expenses	**(600)**	(408)	**(431)**	(192)
Inventory	**(666)**	(183)	**(1,401)**	(897)
Accounts payable and accrued liabilities	**1,420**	4,979	**7,120**	10,605
Total	**(1,167)**	3,067	**(4,037)**	6,487
Operating Activities	**(3,002)**	2,928	**(5,532)**	4,963
Investing Activities	**1,835**	139	**1,495**	1,524
Total	**(1,167)**	3,067	**(4,037)**	6,487

12. COMMITMENTS AND CONTINGENCIES

The following is a summary of Gear's contractual obligations and commitments as at June 30, 2022:

	Payments due by period						
($ thousands)	**2022**	**2023**	**2024**	**2025**	**2026**	**Thereafter**	**Total**
Office leases (1)	183	488	433	232	-	-	1,336
Service agreement	91	48	-	-	-	-	139
Transportation agreement (2)	-	414	414	414	414	764	2,420
Total contractual obligations	**274**	**950**	**847**	**646**	**414**	**764**	**3,895**

(1) Includes base rent and estimated operating costs.
(2) Transportation agreement extends to 2030.

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.