

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

(Cdn\$ thousands)	September 30, 2023	December 31, 2022
ASSETS		
Current assets		
Accounts receivable	\$ 16,171	\$ 12,674
Prepaid expenses	3,749	3,341
Inventory (Note 3)	7,824	8,178
Risk management contracts (Note 8)	26	1,057
	27,770	25,250
Deferred income tax asset	41,121	41,121
Property, plant and equipment (Note 4)	280,283	283,038
Total assets	\$ 349,174	\$ 349,409
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 20,047	\$ 19,290
Decommissioning liability (Note 6)	7,426	6,931
	27,473	26,221
Debt (Note 5)	20,994	7,123
Decommissioning liability (Note 6)	53,278	64,451
Total liabilities	101,745	97,795
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	348,886	348,005
Contributed surplus	17,999	17,837
Deficit	(119,456)	(114,228)
Total shareholders' equity	247,429	251,614
Total liabilities and shareholders' equity	\$ 349,174	\$ 349,409

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 nine months ended September 30

(Cdn\$ thousands)

		Share Capital		Contributed Surplus		Deficit		Total Equity
Balance, beginning of period	\$	350,332	\$	19,337	\$	(170,621)	\$	199,048
Stock option exercise (Note 7)		1,934		(1,982)		-		(48)
Common shares repurchased (Note 7)		(4,876)		24		(432)		(5,284)
Share-based compensation (Note 7)		-		735		-		735
Dividends (Note 7)		-		-		(10,361)		(10,361)
Net income for the period		-		-		47,286		47,286
Balance at September 30, 2022	\$	347,390	\$	18,114	\$	(134,128)	\$	231,376
Balance, beginning of period	\$	348,005	\$	17,837	\$	(114,228)	\$	251,614
Stock option exercise (Note 7)		881		(900)		-		(19)
Share-based compensation (Note 7)		-		1,062		-		1,062
Dividends (Note 7)		-		-		(20,918)		(20,918)
Net income for the period		-		-		15,690		15,690
Balance at September 30, 2023	\$	348,886	\$	17,999	\$	(119,456)	\$	247,429

See accompanying notes to the unaudited Interim Condensed Consolidated Financial Statements

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

	Three Months Ended September 30		Nine Months Ended September 30	
(Cdn\$ thousands, except per share amounts)	2023	2022	2023	2022
REVENUE				
Petroleum and natural gas sales (Note 9)	\$ 41,409	\$ 44,840	\$ 111,190	\$ 147,999
Royalties	(4,941)	(6,398)	(13,317)	(19,395)
	36,468	38,442	97,873	128,604
Realized gain (loss) on risk management contracts	506	(1,021)	1,685	(8,767)
Unrealized (loss) gain on risk management contracts	(1,353)	5,102	(1,031)	2,299
	35,621	42,523	98,527	122,136
EXPENSES				
Operating	11,952	11,147	35,233	32,796
Transportation	1,661	1,933	5,900	5,564
General and administrative	1,750	1,688	5,716	5,708
Interest and financing charges	633	240	1,608	857
Depletion, depreciation and amortization (Note 3 and 4)	10,544	8,997	31,649	27,707
Accretion (Note 6)	555	575	1,666	1,667
Share-based compensation (Note 7)	376	324	1,062	735
Loss (gain) on foreign exchange	-	(131)	3	(184)
	27,471	24,773	82,837	74,850
Deferred income tax expense	-	-	-	-
Net income and comprehensive income	\$ 8,150	\$ 17,750	\$ 15,690	\$ 47,286
Net income per share, basic and diluted (Note 7)	\$ 0.03	\$ 0.07	\$ 0.06	\$ 0.18

See accompanying notes to the unaudited Interim Condensed Consolidated Financial Statements

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

(Cdn\$ thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 8,150	\$ 17,750	\$ 15,690	\$ 47,286
Add items not involving cash:				
Unrealized loss (gain) on risk management contracts	1,353	(5,102)	1,031	(2,299)
Depletion, depreciation and amortization	10,544	8,997	31,649	27,707
Accretion	555	575	1,666	1,667
Share-based compensation	376	324	1,062	735
Decommissioning liabilities settled (Note 6)	(2,202)	(2,859)	(3,555)	(4,871)
Change in non-cash working capital (Note 10)	(1,244)	6,511	(1,767)	979
	17,532	26,196	45,776	71,204
CASH FLOWS USED IN FINANCING ACTIVITIES				
Change in debt under credit facilities	(496)	(4,577)	13,871	(26,355)
Exercise of stock options (Note 7)	(2)	5	(19)	(48)
Common shares repurchased (Note 7)	-	-	-	(5,284)
Cash dividends (Note 7)	(5,243)	(7,751)	(20,918)	(10,361)
	(5,741)	(12,323)	(7,066)	(42,048)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Property, plant and equipment expenditures (Note 4)	(12,008)	(14,872)	(37,370)	(31,650)
Disposition of petroleum and natural gas properties (Note 4)	(184)	-	(184)	-
Change in non-cash working capital (Note 10)	401	1,497	(1,156)	2,992
	(11,791)	(13,375)	(38,710)	(28,658)
INCREASE IN CASH AND CASH EQUIVALENTS	-	498	-	498
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	-	-	-	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ -	\$ 498	\$ -	\$ 498
The following are included in cash flow from operating activities:				
Interest paid in cash	\$ 633	\$ 240	\$ 1,608	\$ 857

See accompanying notes to the unaudited Interim Condensed Consolidated Financial Statements

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

As at and for the three and nine months periods ended September 30, 2023 and 2022

(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, 2022. 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, 2022, which have been prepared in accordance with IFRS.

The financial statements were authorized for issue by the Board of Directors on November 9, 2023.

2. CHANGES IN ACCOUNTING POLICIES

In February 2021 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to require entities to disclose their material accounting policy information rather than their significant accounting policies. To support this amendment the IASB also amended IFRS Practice Statement 2 *Making Materiality Judgements*. The amendments were adopted on January 1, 2023 and did not have a significant impact on the Company’s interim condensed consolidated financial statements.

3. INVENTORY

As at September 30, 2023, Gear recorded oil inventory valued at its production cost of \$7.8 million (December 31, 2022 - \$8.2 million). Gear records changes in both the capital and operating components of inventory to the Interim Condensed Consolidated Statements of Income and Comprehensive Income.

As at September 30, 2023 and December 31, 2022, there were no indicators of impairment for inventory.

4. 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, 2021	885,911	1,487	887,398
Additions	50,465	84	50,549
Change in decommissioning costs	(2,434)	-	(2,434)
Balance, December 31, 2022	933,942	1,571	935,513
Additions	37,351	19	37,370
Dispositions	(21,936)	-	(21,936)
Change in decommissioning costs	(5,768)	-	(5,768)
Balance, September 30, 2023	943,589	1,590	945,179
Depletion, depreciation and amortization			
Balance, December 31, 2021	622,419	1,330	623,749
Depletion, depreciation and amortization	38,671	78	38,749
Impairment reversal	(10,023)	-	(10,023)
Balance, December 31, 2022	651,067	1,408	652,475
Depletion, depreciation and amortization	31,719	52	31,771
Dispositions	(19,350)	-	(19,350)
Balance, September 30, 2023	663,436	1,460	664,896

Carrying amounts (\$ thousands)	Development and Production Assets	Administrative Assets	Total
As at December 31, 2022	282,875	163	283,038
As at September 30, 2023	280,153	130	280,283

As at September 30, 2023, no indicators of impairment were identified on the property, plant and equipment.

As at December 31, 2022, indicators of an impairment reversal were identified on Gear's Cash-Generating Unit ("CGU") #3 as a result of the increase in commodity prices. An impairment test was carried out at December 31, 2022 on CGU #3. The estimated recoverable amounts incorporated the net present value of the after-tax cash flows from proved plus probable crude oil and natural gas reserves of CGU #3 based on reserves estimated by Gear's independent reserves evaluator at December 31, 2022. As at December 31, 2022, the estimated recoverable amount for CGU #3 was based on a fair value less cost of disposal calculation using a discount rate based on an estimated industry weighted average cost of capital of 12 per cent. As a result of the impairment test performed at December 31, 2022, the recoverable amount of CGU #3 exceeded its carrying value, and a \$10.0 million impairment reversal, net of depletion, was recorded in the Consolidated Statements of Income and Comprehensive Income.

5. DEBT

At September 30, 2023, Gear had the following credit facilities (collectively, the "Credit Facilities"):

Facility (\$ thousands)	Classification	Borrowing base		Maturity date
		September 30, 2023	December 31, 2022	
Revolving term facility	Long term	40,000	34,500	May 25, 2025
Operating facility	Long term	10,000	7,500	May 25, 2025
Total		50,000	42,000	

At September 30, 2023 Gear had \$21.0 million drawn on the Credit Facilities (December 31, 2022 – \$7.1 million) and outstanding letters of credit of \$0.8 million (December 31, 2022 – \$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 \$0.8 million (December 31, 2022 – \$nil).

The total stamping fees on the Credit Facilities, depending on Gear's Debt to EBITDA ratio, range between 250 bps to 400 bps on Canadian bank prime borrowings and between 350 bps and 500 bps on US dollar denominated SOFR loans and Canadian dollar bankers' acceptances. The undrawn portion of the Credit Facilities is subject to a standby fee in the range of 87.5 bps to 125 bps.

The next borrowing base review is expected to be completed on or about May 31, 2024.

6. DECOMMISSIONING LIABILITY

(\$ thousands)	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of period	71,382	79,064
Change in estimated future costs	82	11,339
Change in discount and inflation rate estimates	(6,425)	(14,338)
Additions	575	565
Dispositions	(2,984)	-
Liabilities settled – Gear	(3,555)	(6,288)
Liabilities settled – Government assistance	(37)	(1,215)
Accretion	1,666	2,255
Balance, end of period	60,704	71,382
Expected to be incurred within one year	7,426	6,931
Expected to be incurred beyond one year	53,278	64,451

The undiscounted and unescalated amount of the expected cash flows required to settle the decommissioning liability is estimated to be \$78.4 million as at September 30, 2023 (December 31, 2022 – \$87.6 million). The liability for the expected cash flows, as reflected in the financial statements, has been inflated at 2.00 per cent (December 31, 2022 – 2.00 per cent) and discounted using a risk-free rate of 3.81 per cent (December 31, 2022 – 3.28 per cent). Abandonments are expected to occur between 2023 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 nine months ended September 30, 2023, the program provided Gear \$nil and \$37 thousand (for the year ended December 31, 2022 – \$1.2 million) towards extinguishing decommissioning liabilities. Funding under the SRP ended during the first quarter of 2023.

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 September 30, 2023 or December 31, 2022.

a) Share Capital

(thousands of shares and \$ thousands)	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Shares	Amount	Shares	Amount
Balance, beginning of period	260,693	\$ 348,005	260,169	\$ 350,332
Common shares repurchased	-	-	(3,639)	(4,876)
Stock option exercise	1,527	881	4,163	2,549
Balance, end of period	262,220	\$ 348,886	260,693	\$ 348,005

For the nine months ended September 30, 2023, 3.2 million stock options (December 31, 2022 – 6.7 million) were exercised for 1.5 million common shares (December 31, 2022 – 4.2 million). Of the total stock options exercised, 1.7 million stock options were exercised on a share-less basis (December 31, 2022 – 2.5 million).

b) Normal Course Issuer Bid

On May 4, 2022, Gear announced the approval of its Normal Course Issuer Bid ("NCIB") by the Toronto Stock Exchange ("TSX"). The NCIB allowed the Company to purchase for cancellation up to approximately 24.0 million of its outstanding common shares commencing on May 9, 2022. On May 8, 2023, the NCIB expired. Purchases were 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 repurchased its own common shares, share capital was reduced by the average carrying value of the shares repurchased. When the carrying value exceeded the purchase price, the excess was credited to contributed surplus or conversely the excess of the purchase price over the carrying value was recognized as a deduction from retained earnings. The Company did not repurchase common shares during the first nine months of 2023. For the year ended December 31, 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. Options under the option plan vest 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 following table summarizes Gear's stock option plan activity during the periods ended September 30, 2023 and December 31, 2022.

(thousands)	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	16,856	\$ 0.99	16,755	\$ 0.57
Granted	5,631	1.00	8,559	1.38
Exercised	(3,223)	0.54	(6,702)	0.48
Expired	(1,306)	1.41	-	-
Forfeited	(362)	1.04	(1,756)	0.81
Outstanding, end of period	17,596	1.04	16,856	0.99
Exercisable, end of period	65	\$ 0.50	741	\$ 0.77

During the three and nine months ended September 30, 2023, Gear has recorded an expense of \$0.4 million and \$1.1 million (2022 – \$0.3 million and \$0.7 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:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Risk free interest rate (%)	3.99	3.18
Average expected life (years)	2.1	2.1
Average expected volatility (%)	21.0	24.9
Forfeiture rate (%)	10.0	10.0

d) Weighted average common shares

(thousands, except per \$ share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Basic	262,139	258,385	261,549	259,752
Diluted	263,599	263,585	263,173	265,837
Net income per share – basic and diluted	0.03	0.07	0.06	0.18

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

e) Dividends

Declaration date	Record date	Payment date	Dividends per common share	Dividends (\$ thousands)
May 4, 2022	May 16, 2022	May 30, 2022	\$ 0.010	\$ 2,610
July 27, 2022	August 15, 2022	August 31, 2022	0.020	5,164
September 1, 2022	September 15, 2022	September 30, 2022	0.010	2,587
October 3, 2022	October 17, 2022	October 31, 2022	0.010	2,597
November 1, 2022	November 15, 2022	November 30, 2022	0.010	2,597
December 1, 2022	December 15, 2022	December 30, 2022	0.010	2,601
Total for the year ended December 31, 2022			0.070	\$ 18,156

Declaration date	Record date	Payment date	Dividends per common share	Dividends (\$ thousands)
January 3, 2023	January 16, 2023	January 31, 2023	\$ 0.010	\$ 2,607
February 1, 2023	February 15, 2023	February 28, 2023	0.010	2,607
March 1, 2023	March 15, 2023	March 31, 2023	0.010	2,612
April 3, 2023	April 14, 2023	April 28, 2023	0.010	2,616
May 1, 2023	May 15, 2023	May 31, 2023	0.010	2,616
June 1, 2023	June 15, 2023	June 30, 2023	0.010	2,617
July 4, 2023	July 14, 2023	July 31, 2023	0.010	2,621
July 26, 2023	August 15, 2023	August 31, 2023	0.005	1,311
September 1, 2023	September 15, 2023	September 29, 2023	0.005	1,311
Total for the nine months ended September 30, 2023			0.080	\$ 20,918

During the three and nine months periods ended September 30, 2023, Gear declared \$5.2 million and \$20.9 million in dividends, respectively (for the year ended December 31, 2022 – \$18.2 million).

Subsequent to period end, on October 2, 2023, Gear declared a monthly dividend of \$0.005 per common share, designated as an eligible dividend, payable in cash to shareholders of record on October 16, 2023. The dividend payment date was October 31, 2023.

Subsequent to period end, on November 1, 2023, Gear declared a monthly dividend of \$0.005 per common share, designated as an eligible dividend, payable in cash to shareholders of record on November 15, 2023. The dividend payment date is scheduled for November 30, 2023.

8. 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 September 30, 2023 and December 31, 2022, 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 September 30, 2023:

Financial WTI Crude Oil Contracts								
Term	Contract	Currency	Volume	Sold Swap	Sold Call	Bought Put	Sold Put	
			bbl/d	\$/bbl	\$/bbl	\$/bbl	\$/bbl	\$/bbl
Oct 1, 2023	Dec 31, 2023	Three-way collar	CAD	750	-	113.50	80.00	65.00

Financial AECO Natural Gas Contracts					
Term	Contract	Currency	Volume	Sold Swap	
			GJ/d	\$/GJ	
Oct 1, 2023	Dec 31, 2023	Swap	CAD	3,600	4.50

As at September 30, 2023, the fair value associated with Gear's risk management contracts was an asset of \$26 thousand (\$1.1 million asset at December 31, 2022).

The following table summarizes the change in the net risk management contracts asset (liability) during the period ended September 30, 2023 and year ended December 31, 2022:

(\$ thousands)	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of period	1,057	(2,595)
Unrealized (loss) gain on risk management contracts	(1,031)	3,652
Balance, end of period	26	1,057

(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, 2025 maturity date. The next borrowing base review is expected to be completed on or about May 31, 2024.

All the accounts payable and accrued liabilities are due in less than one year.

(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 September 30, 2023 pertains to accrued revenue for September 2023 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 four (December 31, 2022 – four) marketing companies. At September 30, 2023, 81 per cent (December 31, 2022 – 66 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 September 30, 2023.

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 September 30, 2023, \$0.2 million (December 31, 2022 – \$0.2 million) of accounts receivable are past due with all amounts collectable.

9. 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		Nine months ended	
	2023	September 30, 2022	2023	September 30, 2022
Heavy oil	21,450	20,922	53,575	75,721
Light and medium oil	17,813	19,938	50,634	59,621
Natural gas liquids	1,000	1,785	3,366	4,939
Natural gas	1,146	2,195	3,615	7,718
Total petroleum and natural gas sales	41,409	44,840	111,190	147,999

10. 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		Nine months ended	
	2023	September 30, 2022	2023	September 30, 2022
Accounts receivable	(4,275)	6,615	(3,559)	(2,710)
Prepaid expenses	113	(33)	(560)	(464)
Inventory	242	(244)	439	(1,645)
Accounts payable and accrued liabilities	3,077	1,670	757	8,790
Total	(843)	8,008	(2,923)	3,971
Operating Activities	(1,244)	6,511	(1,767)	979
Investing Activities	401	1,497	(1,156)	2,992
Total	(843)	8,008	(2,923)	3,971

11. COMMITMENTS AND CONTINGENCIES

The following is a summary of Gear's contractual obligations and commitments as at September 30, 2023:

(\$ thousands)	Payments due by period			
	2023	2024	2025	Total
Office leases ⁽¹⁾	180	441	236	857
Service agreement	-	224	224	448
Total contractual obligations	180	665	460	1,305

(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.