



SOURCE: InPlay Oil Corp.



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InPlay Oil Corp. Announces Second Quarter 2017 Financial and Operating Results

CALGARY AB--(Marketwired - August 03, 2017) - - InPlay Oil Corp. (TSX: IPO) (OTCQX: IPOOF) ("InPlay" or the "Company") announces its financial and operating results for the three and six months ended June 30, 2017. InPlay's unaudited interim financial statements and notes, as well as management's discussion and analysis ("MD&A") for the three and six months ended June 30, 2017 will be available shortly on the System for Electronic Document Analysis and Retrieval ("SEDAR") and our website ("www.inplayoil.com").

Financial and Operating Highlights

(CDN\$) ('000's)	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Financial (CDN \$)				
Petroleum and natural gas revenue	14,584	6,377	29,733	11,590
Adjusted Funds flow from operations ⁽¹⁾	6,171	2,177	12,270	5,105
Per share - basic and diluted ^{(1) (2)}	0.10	0.18	0.20	0.42
Per boe ⁽¹⁾	18.08	13.88	17.81	15.65
Comprehensive Income (Loss)	457	(11,691)	1,467	(14,520)
Per share - basic and diluted ⁽²⁾	0.01	(0.97)	0.02	(1.20)
Exploration and Development Capital expenditures	4,445	525	13,940	3,524
Net Acquisitions	1,220	-	1,220	-
(Net Debt)/Working Capital ⁽¹⁾	37,960	57,643	37,960	57,643
Shares outstanding	62,267,969	12,063,110	62,267,969	12,063,110
Basic & Diluted weighted-average shares ⁽²⁾	62,386,891	12,063,110	62,391,505	12,063,110
Operational				
Daily production volumes				
Crude oil (bbls/d)	2,140	1,268	2,165	1,330
Natural gas liquids (bbls/d)	313	93	328	111
Natural gas (Mcf/d)	7,793	2,170	7,871	2,110
Total (boe/d)	3,752	1,723	3,805	1,793
Realized prices				
Crude Oil & NGLs (\$/bbls)	56.06	49.42	56.87	41.89
Natural gas (\$/Mcf)	2.92	1.30	2.85	1.57
Total (\$/boe)	42.72	40.67	43.17	35.52
Operating netbacks (\$ per boe) ⁽¹⁾				
Oil and Gas sales	42.72	40.67	43.17	35.52
Royalties	(4.14)	(3.21)	(4.35)	(3.07)
Transportation expense	(0.68)	(0.88)	(0.72)	(0.93)
Operating costs	(15.93)	(18.20)	(15.68)	(16.72)
Operating Netback (prior to realized derivative contracts)	21.97	18.38	22.42	14.80
Realized gain on derivative contracts	1.19	3.44	0.78	8.51
Operating Netback (including realized derivative contracts)	23.16	21.82	23.12	23.31

1. "Adjusted funds flow from operations", "Net Debt", "Working Capital", "Operating netback per boe", "Operating netback" and "Operating income" do not have a standardized meaning under international financial Reporting standards (IFRS) and GAAP. "Adjusted funds flow from operations" adjusts for decommissioning obligation expenditures and net change in operating non-cash working capital from net cash flow provided by operating activities. Please refer to Non-GAAP Financial Measures and BOE equivalent at the end of this news release.

2. Weighted average share amounts for 2016 are converted retrospectively at the exchange rate of 0.1303 in accordance with the terms of the Arrangement as outlined in note 5 & 11 in the Company's unaudited quarterly June 30, 2017 financial statements filed on SEDAR. This is done in accordance with IAS 33.64.

We are pleased to present InPlay's financial and operating results for the three and six months ended June 30, 2017 which reflect a full six month period of operations following the November 7, 2016 private placement financing, asset acquisition in Pembina and the reverse take-over business combination with Anderson Energy Inc.

The Company's capital program of \$5.7 million for the second quarter of 2017 was mainly comprised of the completion of two (1.8 net) wells in Willesden Green and Pembina, the start of drilling of our first two mile Willesden Green horizontal well, a strategic tuck-in acquisition for \$1.5 million which predominantly increased our working interests in certain Cardium assets in our core Willesden Green area and added

approximately 80 boe/d of low decline production to our existing asset base. This transaction and a Cardium Crown land acquisition for \$0.2 million has added additional drilling locations in the Willesden Green area.

Second quarter 2017 production averaged 3,752 boe/d (65% oil and liquids) representing a 118% increase in production over the second quarter of 2016. Capital expenditures for the year to date to June 30, 2017 amounted to \$15.2 million, inclusive of \$1.2 million in net asset acquisitions in the second quarter. Adjusted funds flow from operations for the second quarter was \$6.2 million and \$12.3 million for the year to date to June 30, 2017 resulting in a 184% and 140% increase over the three month and six month period ending June 30, 2017. This resulted in adjusted funds flow from operations of \$0.10/share (\$0.40/share annualized) for the second quarter of 2017. Net earnings in the amount of \$0.5 million and \$1.5 million were recognized for the second quarter and first half of 2017. We exited the quarter with \$38.0 million in net debt and were drawn \$35.2 million on our \$60.0 million syndicated credit facility.

Outlook

InPlay continued our focused Cardium capital program throughout the first half of 2017. There were 6 (4.1 net) Cardium horizontal wells remaining to be brought on production from the first quarter, of which 3 (1.3 net) Pembina non-operated wells came on full production by May, 1 (1.0 net) Willesden Green well came on production in late June, 1 (0.8 net) well in Pembina came on production in late July and 1 (1.0 net) well in West Pembina is expected to come on production in August. We also started drilling our first two mile extended reach horizontal well in Willesden Green which was finished drilling in early July and is currently being completed with 101 stages.

InPlay has continued using new completion technologies as well as reduced spacing between fracture completions in the horizontal leg on several wells drilled to date. The recent wells in Willesden Green have been drilled targeting the lower bioturbated portion of the reservoir with the only exception being West Pembina which targets thick tight halo sands. This spacing is similar to that used by peers with offset wells that have had strong recent results drilling the lower bioturbated Cardium. We are seeing the same results to date with our first one mile Willesden Green well which came on production in late June. In the month of July this well averaged 230 boe/d (93% light oil) and is still cleaning up as it is currently producing 300 boe/d (93% light oil) based on field estimates.

The remainder of 2017 will include finishing the completion and tie-in of the two mile Willesden Green well and the one mile West Pembina well. Our original 2017 budget accounted for two Willesden Green wells, however, with the positive results we are seeing from our first Willesden Green well and the related offset wells we plan on allocating more of the remaining 2017 capital budget to Willesden Green drilling three more horizontal Cardium wells in total in this area for the year. The shift in capital to the deeper, more expensive wells in Willesden Green will result in InPlay reducing the overall net well count from 12 net wells to 9.1 net wells while maintaining our annual average production guidance of 4,000-4,200 boe/d (68% light oil and liquids), exit guidance of 4,300-4,500 boe/d (68% light oil and liquids) with our exploration and development capital budget remaining at \$28 million. This would yield production per share growth of greater than 20% from December 2016 to December 2017 which would place us in the top quartile compared to our light oil weighted peers.

The Company believes this provides us maximum balance sheet flexibility to be opportunistic with additional value based tuck-in acquisitions and provides us with the ability, with supportive commodity prices coupled with realistic service costs, to expand the drilling program or to accelerate the first quarter 2018 capital program in the fourth quarter of this year. We are also moving ahead to finalize our plans to drill on our emerging Duvernay light oil play in the second half of this year to ensure that we hold our license in the area. InPlay holds 10,400 (16.25 sections) of Duvernay rights in what has become one of the most active and exciting emerging plays in the Western Canadian Sedimentary Basin following significant recent land sale results and industry commentary.

InPlay's low debt levels, high operating netback assets and solid set of commodity hedges will allow us to continue to develop our asset base in the current volatile commodity price environment, maintain financial strength, and is focusing on meaningful and sustainable per share growth for our shareholders.

We thank our employees and directors for their ongoing commitment and dedication and we thank all of our shareholders for their continued interest and support in InPlay. We look forward to reporting our upcoming results to our shareholders.

Reader Advisories

Non-GAAP Financial Measures

InPlay uses certain terms within this news release that do not have a standardized prescribed meaning under GAAP and these measurements may not be comparable with the calculation of similar measurements of other entities. The terms "Adjusted funds flow from operations", "Adjusted funds flow from operations per share", "Adjusted funds flow from operations per boe", "operating netbacks" and "netback per boe" in this news release are not recognized measures under GAAP. Management believes that in addition to net earnings and cash flow provided by operating activities as defined by GAAP, these terms are useful supplemental measures to evaluate operating performance as it demonstrates its field level of profitability relative to current commodity prices and to assess leverage. "Adjusted funds flow from operations" should not be considered as an alternative to or more meaningful than cash provided by operating activities as determined in accordance with GAAP as an indicator of the Company's performance. InPlay's determination of adjusted funds flow from operations may not be comparable to that reported to other companies. Adjusted funds flow from operations is calculated by adjusting for changes in operating non-cash working capital and decommissioning expenditures from cash flow provided by operating activities. These items are adjusted from cash flow provided by operating activities as these expenditures are primarily incurred on previous operating assets and there is uncertainty with the timing and payment of these items and they are incurred on a discretionary basis making them less useful in the evaluation InPlay's operating performance. Adjusted funds flow from operations per share is calculated using the same weighted average number of shares outstanding used in calculating earnings per share. Users are cautioned, however, that these measures should not be construed as an alternative to net earnings or cash flow provided by operating activities determined in accordance with GAAP as an indication of InPlay's performance. The term "net debt" is not recognized under GAAP and is calculated as bank debt plus working capital deficiency adjusted for risk management derivative contract fair values, deferred lease credits and flow-through share premiums. Net debt is used by management to analyze the financial position and leverage of InPlay. InPlay monitors working capital and net debt as part of its capital structure. Such terms do not have a standardized meaning prescribed by GAAP and, therefore, may not be comparable with the calculation of similar measures for other entities. InPlay also uses "netback per boe" as a key performance indicator. Netback per boe is utilized by InPlay to evaluate the operating performance of its petroleum and natural gas assets, and is determined by deducting royalties and operating and transportation expenses from petroleum and natural gas revenue (all on a per boe basis).

Forward-Looking Information and Statements

This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" "forecast" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: the volume and product mix of InPlay's oil and gas production; production estimates; targeted production growth; reserve estimates; future oil and natural gas prices and InPlay's commodity risk management programs; forecasted adjusted funds flow from operations and net debt to adjusted funds flow from operations; future liquidity and financial capacity; future results from operations and operating metrics including forecasts of operating netbacks, cash flow and well payouts; future costs, expenses and royalty rates; future interest costs; the exchange rate between the \$US and \$Cdn; future development, exploration, acquisition, development and infrastructure activities and related capital expenditures, including our 2017 capital budget, and the timing thereof; the number of wells to be drilled, completed and tied-in and the timing thereof; the amount and timing of capital projects; and methods of funding our capital program. Forward-looking statements or information are based on a number of material factors, expectations or assumptions of InPlay which have been used to develop such statements and information but which may prove to be incorrect. Although InPlay believes that the expectations reflected in such forward-looking statements or information are reasonable, undue

reliance should not be placed on forward-looking statements because InPlay can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which InPlay operates; the timely receipt of any required regulatory approvals; the ability of InPlay to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which InPlay has an interest in to operate the field in a safe, efficient and effective manner; the ability of InPlay to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and the ability of InPlay to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which InPlay operates; the ability of InPlay to successfully market its oil and natural gas products.

The forward-looking information and statements included herein are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; the potential for variation in the quality of the reservoirs in which we operate; changes in the demand for or supply of our products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of InPlay or by third party operators of our properties, increased debt levels or debt service requirements; inaccurate estimation of our oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in InPlay's disclosure documents. The forward-looking information and statements contained in this news release speak only as of the date hereof and InPlay does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

BOE equivalent

Barrel of oil equivalents or BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of 6:1, utilizing a 6:1 conversion basis may be misleading as an indication of value.

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News Room