



Financial Statements

For the three and nine months ended September 30, 2022

Statements of Financial Position

(unaudited)

(Thousands of Canadian dollars)	Note	Sept. 30, 2022	Dec. 31, 2021
ASSETS			
Current assets			
Accounts receivable and accrued receivables	20	\$ 21,363	\$ 16,911
Prepaid expenses and deposits		4,195	2,971
Inventory		5,523	3,718
Total current assets		31,081	23,600
Property, plant and equipment	5, 6, 7	352,874	346,414
Exploration and evaluation	8	14,753	14,496
Right-of-use asset	9	395	573
Deferred tax	12	17,446	21,401
Total assets		\$ 416,549	\$ 406,484
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	20	38,054	24,669
Lease liability	9	317	316
Decommissioning obligation	11	2,193	2,193
Deferred share unit liability	14	782	628
Derivative contracts	20	346	524
Bank debt	10	-	52,863
Total current liabilities		41,692	81,193
Bank debt	10	38,642	26,264
Lease liability	9	83	262
Decommissioning obligation	11	81,634	109,401
Total long term liabilities		120,359	135,927
Total liabilities		162,051	217,120
Shareholders' equity			
Share capital	13	263,890	262,524
Contributed surplus	14	17,188	16,580
Deficit		(26,580)	(89,740)
Total shareholders' equity		254,498	189,364
Total liabilities and shareholders' equity		\$ 416,549	\$ 406,484

Commitments 21

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

On behalf of the Board of Directors:

(signed) "Steve Nikiforuk"

 Steve Nikiforuk
 Director

(signed) "Doug Bartole"

 Doug Bartole
 Director

Statements of Profit and Comprehensive Income

(unaudited)

(Thousands of Canadian dollars, except per share amounts)	Note	Three Months Ended September 30		Nine Months Ended September 30	
		2022	2021	2022	2021
Oil and natural gas sales	16	\$ 56,985	\$ 31,331	\$ 180,429	\$ 76,599
Royalties		(10,607)	(3,352)	(28,017)	(6,963)
Revenue		46,378	27,979	152,412	69,636
Gain (loss) on derivative contracts	16	2,528	(936)	(6,524)	(11,613)
		48,906	27,043	145,888	58,023
Operating expenses		10,946	6,763	30,660	19,315
Transportation expenses		888	708	2,802	1,674
Exploration and evaluation expenses	8	-	58	-	5,475
General and administrative expenses	17	2,419	1,565	7,041	4,233
Share-based compensation	14	445	234	1,348	807
Depletion and depreciation	6	11,270	7,800	31,335	19,749
Impairment (reversal)	7	-	-	-	(58,295)
Finance expenses	18	1,549	1,626	5,296	5,185
Transaction and integration costs	5	-	-	291	-
		27,517	18,754	78,773	(1,857)
Profit before tax		21,389	8,289	67,115	59,880
Deferred income tax expense	12	6,037	-	3,955	-
Profit and comprehensive income		\$ 15,352	\$ 8,289	\$ 63,160	\$ 59,880
PROFIT PER COMMON SHARE					
Basic	15	\$ 0.18	\$ 0.12	\$ 0.73	\$ 0.88
Diluted	15	\$ 0.17	\$ 0.12	\$ 0.69	\$ 0.86

The above Statements of Profit and Comprehensive Income should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

(unaudited)

(Thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Balance at December 31, 2020		234,391	16,141	(204,811)	45,721
Share-based compensation	14	-	319	-	319
Option exercises	14	28	(9)	-	19
Profit for the period		-	-	59,880	59,880
Balance at September 30, 2021		234,419	16,451	(144,931)	105,939
Balance at December 31, 2021		262,524	16,580	(89,740)	189,364
Share-based compensation	14	-	1,022	-	1,022
Option exercises	14	1,366	(414)	-	952
Profit for the period		-	-	63,160	63,160
Balance at September 30, 2022		263,890	17,188	(26,580)	254,498

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Statements of Cash Flows

(unaudited)

(Thousands of Canadian dollars)	Note	Three Months Ended September 30		Nine Months Ended September 30	
		2022	2021	2022	2021
Cash flows provided by (used in):					
OPERATING ACTIVITIES					
Profit for the period		\$ 15,352	\$ 8,289	\$ 63,160	\$ 59,880
Non-cash items:					
Depletion and depreciation	6	11,270	7,800	31,335	19,749
Unrealized loss (gain) on derivative contracts	16	(3,042)	(981)	(178)	2,049
Accretion on decommissioning obligation	11	244	317	1,277	791
Share-based compensation	14	371	72	694	230
Exploration expense	8	-	58	-	5,475
Deferred income tax expense	12	6,037	-	3,955	-
Impairment (reversal)	7	-	-	-	(58,295)
Decommissioning expenditures	11	(746)	(369)	(2,046)	(413)
Funds flow		29,486	15,186	98,197	29,466
Net change in non-cash working capital	19	3,288	(1,503)	(4,830)	(3,396)
Net cash flow provided by operating activities		32,774	13,683	93,367	26,070
FINANCING ACTIVITIES					
Principal portion of finance lease payments	9	(79)	(112)	(267)	(348)
Proceeds from exercise of stock options		9	4	952	19
Increase (decrease) in bank debt	10	(13,576)	(7,733)	(40,486)	2,467
Net cash flow provided by (used in) financing activities		(13,646)	(7,841)	(39,801)	2,138
INVESTING ACTIVITIES					
Capital expenditures – Property, plant and equipment	6	\$ (24,511)	\$ (10,446)	\$ (63,697)	\$ (27,368)
Capital expenditures – Exploration and evaluation	8	(31)	(11)	(257)	(42)
Property dispositions	5	-	2	1	83
Corporate acquisitions, net of cash acquired	5	(89)	-	(501)	-
Net change in non-cash working capital	19	5,503	4,613	10,888	(881)
Net cash flow (used in) investing activities		(19,128)	(5,842)	(53,566)	(28,208)
Increase (decrease) in cash and cash equivalents		-	-	-	-
Cash and cash equivalents, beginning of the period		-	-	-	-
Cash and cash equivalents, end of the period		\$ -	\$ -	\$ -	\$ -
Interest paid in cash		\$ 1,299	\$ 1,309	\$ 3,999	\$ 4,394

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

(unaudited)

SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021

(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

1. CORPORATE INFORMATION

InPlay Oil Corp. (“**InPlay**” or the “**Company**”) is actively engaged in the acquisition, exploration and development of petroleum and natural gas properties, and the production and sale of crude oil, natural gas and natural gas liquids. InPlay is a publicly traded company incorporated and domiciled in Alberta, Canada. InPlay’s common shares are listed on the Toronto Stock Exchange (the “**TSX**”) and trade under the symbol IPO. InPlay’s corporate office is located at 2000, 350 - 7th Avenue SW, Calgary, Alberta, its registered office is located at 2400, 525 - 8th Avenue SW, Calgary, Alberta, and its petroleum and natural gas operations are located in the Province of Alberta.

2. BASIS OF PRESENTATION

Compliance with IFRS

These condensed financial statements comply with International Financial Reporting Standards (“**IFRS**”) and International Accounting Standards (“**IAS**”) as issued by the International Accounting Standards Board (“**IASB**”), applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. Certain disclosures included in the notes to the annual financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed unaudited interim financial statements should be read in conjunction with the audited annual consolidated financial statements as at and for the year ended December 31, 2021.

The financial statements were approved and authorized for issuance by the Board of Directors on November 8, 2022.

In preparing these condensed unaudited interim financial statements, the basis of presentation made by management in applying the Company’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2021.

3. SUMMARY OF ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

In preparing these condensed unaudited interim financial statements, the accounting policies made by management in applying the Company’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2021.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus (“**COVID-19**”). The pandemic and subsequent measures intended to limit its spread, contributed to significant volatility in global financial markets. The pandemic has adversely impacted global commercial activity and has reduced worldwide demand for commodities including crude oil, natural gas and natural gas liquids. The result was significant economic uncertainty and a decline in commodity prices through most of 2020. In general, the oil and gas industry reacted with reductions to capital and other spending, as well as production shut-ins, to try to manage through this price

environment. The combination of increasing worldwide demand for commodities and decreasing oil inventories has resulted in significant commodity price recoveries through most of 2021 and commodity prices are now exceeding pre-pandemic levels.

The full extent of the impact of COVID-19 on the Company's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. The outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of its financial results.

The Company's financial performance, operations and business are particularly sensitive to volatility in the demand for and prices of crude oil and natural gas. The potential direct and indirect impact of the economic volatility related to COVID-19 have been considered in management's estimates and assumptions at period end and have been reflected in the Company's results with any significant changes described in the relevant financial statement note.

The COVID-19 pandemic is an evolving situation that will continue to have widespread implications for the Company's business environment, operations and financial condition. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Company's financial statements in fiscal 2022 and beyond.

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In preparing these condensed unaudited interim financial statements, the methods of computation and significant judgements, estimates and assumptions made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2021.

The COVID-19 outbreak and current market conditions have increased the complexity of estimates and assumptions used to prepare the unaudited interim financial statements, particularly related to the following key source of estimation uncertainty:

Recoverable Amounts

Determining the recoverable amount of a cash-generating unit ("CGU") or an individual asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. The severe volatility in commodity prices since the onset of the COVID-19 pandemic, due to reasons noted above, have increased the risk of measurement uncertainty in determining the recoverable amounts, especially estimating economic crude oil and natural gas reserves and estimating forward commodity prices.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

5. ACQUISITIONS

2021 Acquisitions

On November 30, 2021, the Company completed a plan of arrangement (the "**Prairie Storm Arrangement**") whereby InPlay acquired all of the issued and outstanding common shares of Prairie Storm Resources Corp. ("**Prairie Storm**") a light-oil Cardium focused producer with operations primarily in the Willesden Green area of central Alberta, for consideration of: (a) the payment of an aggregate of approximately \$39.9 million in cash; and (b) the issuance of an aggregate of 8,320,335 common shares of

InPlay valued at \$2.07 per share based on the closing price of InPlay shares on November 29, 2021. The cash portion of the consideration was funded by a combination of net proceeds released to InPlay pursuant to a \$11.5 million bought deal subscription receipt financing (the "**Prairie Storm Financing**") and available borrowings under InPlay's senior credit facilities (collectively, the "**Senior Credit Facility**") which were increased from \$65.0 million to \$85.0 million.

The Prairie Storm Arrangement has been accounted for as a business combination under IFRS 3.

The fair value at November 30, 2021 of the total consideration transferred and the amounts recognized attributed to the assets acquired was as follows:

Consideration:	(\$'000s)
Cash consideration	39,919
Share consideration	17,223
Total Consideration	57,142
Recognized amounts of assets acquired and liabilities assumed:	
Cash and cash equivalents	10,642
Accounts receivable and accrued receivables	2,999
Prepaid expenses and deposits	217
Inventory	544
Property, plant and equipment	74,270
Exploration and evaluation	2,037
Right-of-use assets	502
Deferred tax liability	(2,755)
Accounts payable and accrued liabilities	(3,105)
Lease liability	(502)
Derivative contracts	(181)
Decommissioning obligation	(7,365)
Total identifiable net assets	77,303
Gain on acquisition	(20,161)
Total	57,142

During the nine months ended September 30, 2022, the acquired amount of Property, plant and equipment was adjusted by \$0.5 million as a result of adjustments relating to the acquisition, with a corresponding increase in the recognized amounts of Accounts payable and accrued liabilities.

The fair value of the decommissioning obligation at November 30, 2021 was based on the estimated future cash flows to decommission the acquired property, plant and equipment at the end of its useful life. The discount rates used to determine the net present value of the decommissioning obligation was a credit adjusted risk-free rate of 7.9%. At December 31, 2021 the decommissioning liability was revalued at a risk-free rate of 1.6%, resulting in incremental additions of \$25.6 million of decommissioning obligation and corresponding additions to property, plant and equipment.

The acquired assets contributed revenues consisting of oil and natural gas sales net of royalties of approximately \$2.1 million and operating income, which is defined as oil and natural gas sales net of royalties less operating and transportation costs, of \$1.5 million to InPlay for the period from November 30, 2021 to December 31, 2021. Had the asset acquisition occurred on January 1, 2021, an additional pro-forma oil and natural gas sales net of royalties of approximately \$22.6 million and operating income of \$14.1 million would have been recognized over the year ended December 31, 2021.

Management applied significant judgment in estimating the fair value of the PP&E assets. To estimate the fair value of the PP&E assets, management used a discounted future cash flow model to determine the net present value of after tax future cash flows from the oil and natural gas reserves. The fair values of the

identifiable assets and liabilities acquired as reported in the table above were estimated based on information available at the time of preparation of the financial statements and could be subject to change.

A gain on acquisition of \$20.2 million was recorded with this business combination as a result of the total identifiable net assets acquired being greater than the total consideration.

For the year ended December 31, 2021 \$1.5 million of transaction and integration costs were incurred for advisory and professional fees associated with the Prairie Storm Arrangement. An additional \$0.3 million of transaction and integration costs were incurred for advisory and professional fees associated with the Prairie Storm Arrangement during the nine months ended September 30, 2022.

The Company completed other minor acquisitions during the year ended December 31, 2021.

6. PROPERTY, PLANT AND EQUIPMENT

Cost (\$'000s)	Total
Balance at December 31, 2020	481,063
Additions	33,488
Additions/revisions to decommissioning obligation	24,107
Dispositions	(84)
Corporate acquisitions	73,769
Transfer from exploration and evaluations assets	151
Balance at December 31, 2021	612,494
Additions	64,025
Additions/revisions to decommissioning obligation	(26,997)
Dispositions	(1)
Corporate acquisitions	501
Balance at September 30, 2022	650,022
Accumulated Depletion & Impairment	
(\$'000s)	Total
Balance at December 31, 2020	301,044
Impairment reversal	(61,938)
Depletion and depreciation ⁽¹⁾	26,974
Balance at December 31, 2021	266,080
Depletion and depreciation ⁽¹⁾	31,068
Balance at September 30, 2022	297,148
⁽¹⁾ Excludes \$0.3 million of depreciation relating to Right-of-use assets (December 31, 2021: \$0.5 million).	
Net book value	Total
(\$'000s)	
At December 31, 2021	346,414
At September 30, 2022	352,874

For the nine months ended September 30, 2022, additions to property, plant and equipment included capitalized general and administrative expenses of \$1.3 million (September 30, 2021: \$0.9 million) and costs related to share-based compensation of \$0.3 million (September 30, 2021: \$0.1 million). Future development costs in the amount of \$438 million were included in the depletion calculation for the three months ended September 30, 2022 (September 30, 2021: \$251 million).

7. IMPAIRMENT (REVERSAL)

2022 Impairment Considerations

At September 30, 2022 there were no indicators of impairment or impairment reversal.

2021 Impairment Considerations

At December 31, 2021 there were indicators of impairment reversal due to significant increases in estimated future commodity prices. Impairment reversal tests were performed for the Company's West Central Alberta CGU which resulted in an impairment reversal of historical impairment charges of \$3.6 million being recorded in the Company's consolidated statement of profit (loss) and comprehensive income (loss) relating to the Company's West Central Alberta CGU. The Company used a discounted future cash flow model to measure fair value of the CGUs whereby the net present value of the after tax future cash flows were calculated using a discount rate of 12%. The future cash flows were based on level 3 fair value hierarchy inputs: the Company's oil and natural gas reserves prepared by its independent reserves evaluator, including key assumptions regarding the discount rate, quantities of oil and natural gas reserves and production volumes, future commodity prices, operating expenses and development costs.

At December 31, 2021, a 1% change to the discount rate used would not result in a change to the impairment reversal. A 5% change to commodity prices used would not result in a change to the impairment reversal.

Refer to note 4 in the Company's audited consolidated annual financial statements for the year ended December 31, 2021 for further details of the Company's realignment of its CGUs effective December 31, 2021.

At June 30, 2021 there were indicators of impairment reversal due to significant increases in estimated future commodity prices. Impairment reversal tests were performed for each of the Company's CGUs which resulted in an impairment reversal of historical impairment charges of \$58.3 million being recorded in the Company's consolidated statement of profit (loss) and comprehensive income (loss) relating to the Company's Pigeon Lake (\$18.3 million), Pembina (\$24.1 million), Rocky (\$13.8 million) and Huxley (\$2.1 million) CGUs. The Company used a discounted future cash flow model to measure fair value of the CGUs whereby the net present value of the after tax future cash flows were calculated using a discount rate of 13% for Huxley and 12% for all other CGUs. The future cash flows were based on level 3 fair value hierarchy inputs: the Company's oil and natural gas reserves prepared by its independent reserves evaluator, including key assumptions regarding the discount rate, quantities of oil and natural gas reserves and production volumes, future commodity prices, operating expenses and development costs. The Company's oil and natural gas reserves prepared by its independent reserves evaluator as at December 31, 2020 were updated by internal qualified reserve engineers to June 30, 2021.

At June 30, 2021, a 1% change to the discount rate used would result in a decrease to the impairment reversal of approximately \$3.6 million relating to the Company's Rocky (\$3.4 million) and Huxley (\$0.2 million) CGUs and an increase to the impairment reversal of approximately \$3.6 million relating to the Company's Rocky CGU. A 5% change to commodity prices used would result in a decrease to the impairment reversal of approximately \$10.8 million relating to the Company's Pigeon Lake (\$2.3 million), Rocky (\$8.0 million) and Huxley (\$0.5 million) CGUs and an increase to the impairment reversal of approximately \$3.7 million relating to the Company's Rocky CGU.

The following table shows the benchmark commodity prices used in the impairment calculation of Property, plant and equipment at December 31, 2021 and June 30, 2021 of which are based on an average of independent reserve evaluator pricing estimates.

Year	Light, Sweet Crude Edmonton (\$Cdn/bbl)			AECO Gas Price (\$Cdn/MMBtu)		
	Dec. 31, 2021	June 30, 2021	Change	Dec. 31, 2021	June 30, 2021	Change
2022	85.43	76.88	8.55	3.58	3.09	0.49
2023	79.36	71.81	7.55	3.22	2.73	0.49
2024	76.07	71.37	4.70	3.07	2.73	0.34
2025	77.59	72.80	4.79	3.14	2.79	0.35
2026	79.13	74.24	4.89	3.20	2.85	0.35
2027	80.73	75.74	4.99	3.26	2.91	0.35
2028	82.33	77.25	5.08	3.34	2.96	0.38
2029	83.98	78.80	5.18	3.40	3.02	0.38
2030	85.66	80.38	5.28	3.46	3.08	0.38

8. EXPLORATION AND EVALUATION

(\$'000s)	Sept. 30, 2022	Dec. 31, 2021
Opening balance	14,496	21,136
Additions	257	71
Acquisitions	-	2,037
Transfers to property, plant and equipment	-	(151)
Transfers to exploration and evaluation expense	-	(8,597)
Ending balance	14,753	14,496

At September 30, 2022, the Company evaluated its remaining Exploration and evaluation assets for indicators of any potential impairment. As a result of this assessment, no indicators were identified and no additional impairment was recorded relating to the Company's Exploration and evaluation assets.

9. LEASES

9(a) Right-of-use asset

(\$'000s)	Sept. 30, 2022	Dec. 31, 2021
Opening balance	573	537
Additions	89	-
Acquisitions	-	502
Depreciation	(267)	(466)
Ending balance	395	573

9(b) Lease liability

The following table details the movement in lease liabilities for the nine months ended September 30, 2022.

(\$'000s)	Total
Balance at December 31, 2020	553
Acquired	502
Repayments	(497)
Interest	20
Balance at December 31, 2021	578
Additions	89
Repayments	(287)
Interest	20
Balance at September 30, 2022	400
Expected to be incurred within one year	317
Expected to be incurred beyond one year	83

The Company does not have any lease contracts that are entered into by a joint arrangement, or on behalf of the joint arrangement, at September 30, 2022.

10. BANK DEBT

(\$'000s)	Sept. 30, 2022	Dec. 31, 2021
Credit Facility	38,642	52,863
BDC Term Facility	-	26,264
Total Bank Debt	38,642	79,127

On August 10, 2022, the Company amended its first lien credit facilities and entered into an amended and restated senior secured credit facility with a borrowing base of \$110 million (the "**Credit Facility**"). At this time, the second lien \$25 million term facility with the Business Development Bank of Canada ("**BDC**") and the remaining \$14 million term facility within the pre-amended senior credit facility were repaid. The Credit Facility consists of a \$100 million revolving line of credit and a \$10 million operating line of credit. The Credit Facility has a term out date of May 30, 2023, and if not extended, additional advances would not be permitted and any outstanding advances would become repayable one year later on May 30, 2024. The Credit Facility is secured by a floating charge debenture of \$150 million and a general security agreement on the assets of the Company. At September 30, 2022, the Company had drawn \$38.6 million on the Credit Facility. There were standard reporting covenants under the Credit Facility and no financial covenants. The Company was in compliance with these standard reporting covenants as at September 30, 2022.

Under the Credit Facility, advances can be drawn as prime rate loans and bear interest at the bank's prime lending rate plus interest rates between 2.00% and 5.50%. Advances may also be drawn as banker's acceptances, SOFR loans, and letters of credit, subject to Canadian interest benchmark rates plus margins ranging from 3.00% to 6.50%. These interest rates, fees and margins vary based on adjusted debt to earnings metrics determined at each quarter end for the preceding 12 months.

The available lending limit of the Credit Facility is scheduled for semi-annual renewal on November 30, 2022, and is based on the Lenders' interpretation of the Company's oil and natural gas reserves and future commodity prices. There can be no assurance that the amount or terms of the Credit Facility will not be adjusted at the next semi-annual review. In the event that the lenders reduce the borrowing base under the Credit Facility below the amount drawn at the time of the redetermination, the Company would have 60 days to eliminate any borrowing base shortfall by repaying the amount drawn in excess of the re-determined

borrowing base or by providing additional security or other consideration satisfactory to the lenders. Repayments of principal are not required provided that the borrowings under the Credit Facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties.

The Company had letters of credit in the amount of \$nil outstanding at September 30, 2022 (December 31, 2021 - \$0.3 million) and no additional guarantees.

11. DECOMMISSIONING OBLIGATION

(\$'000s)	Sept. 30, 2022	Dec. 31, 2021
Opening balance	111,594	80,421
Provisions incurred	571	1,161
Revaluation of liabilities acquired based on discount rate	-	25,565
Provisions acquired	-	7,031
Provisions settled	(2,046)	(1,433)
Change in estimates	(26,521)	(1,473)
Accretion expense	1,277	1,133
Government grants	(1,048)	(811)
Ending balance	83,827	111,594
Expected to be incurred within one year	2,193	2,193
Expected to be incurred beyond one year	81,634	109,401

The estimated future cash out flows as at September 30, 2022 are based on the current estimated costs, government regulations and industry practices to decommission the Company's exploration and production assets. The Company used an inflation rate of 2.0% per annum (December 31, 2021 – 1.56%) until settlement of the obligations, which is assumed to occur over the next 7 to 52 years, to determine the future estimated cash flows. The net present value of the future estimated cash flows have been determined using risk-free discount rates of 3.1% to 3.3% depending on the estimated timing of the future settlement of the obligations (December 31, 2021 - 1.3% to 1.7%). The total inflation adjusted undiscounted amount of estimated future cash flows required to settle the decommissioning obligation at September 30, 2022 was approximately \$189.0 million (December 31, 2021 - \$172.2 million). The total uninflated undiscounted amount of estimated future cash flows required to settle the decommissioning obligation at September 30, 2022 was approximately \$109.2 million (December 31, 2021 - \$111.6 million).

At the date of the Prairie Storm Arrangement, the acquired decommissioning obligations were recognized at fair value which was estimated using credit adjusted discount rates of 7.9%. The impact of the change in the estimated present value using risk-free discount rates is recorded as 'Revaluation of liabilities acquired based on discount rate'.

For the nine months ended September 30, 2022, the Company received \$1.0 million (December 31, 2021 - \$0.8 million) in Government grants from the Government of Alberta's Site Rehabilitation Program ("SRP") which has been recorded as a reduction to Decommissioning Obligation and a credit to Depletion and Depreciation expense.

There are material uncertainties about the amount and timing of the decommissioning obligation, which include the future market prices for services and equipment required to undertake decommissioning activities, the government regulations and industry practices that set out the relevant standards, and the life-span of the Company's portfolio of exploration and production assets.

12. INCOME TAX

The following table reconciles the income tax expense calculated using the statutory tax rates to the income tax expense per the statement of profit and comprehensive income:

(\$'000s)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2022	2021	2022	2021
Profit before tax	21,389	8,289	67,115	59,880
Expected income tax rate	23%	23%	23%	23%
Expected income tax expense	4,919	1,906	15,436	13,772
Increase (decrease) in income taxes resulting from:				
Non-taxable permanent differences – stock based comp.	153	53	247	186
Other	7	1	9	3
Change in opening tax pools	-	-	48	(138)
Revaluation of deferred income tax asset	958	(1,960)	(11,785)	(13,823)
Deferred income tax expense	6,037	-	3,955	-

The following gross deductions are available for deferred income tax purposes:

(\$'000s)	Sept. 30, 2022	Dec. 31, 2021
Non-capital loss carryforward balances	108,723	152,699
Share issue costs	717	1,020
Canadian Exploration Expenses (CEE)	64,773	64,773
Canadian Development Expenses (CDE)	89,591	68,453
Canadian Oil and Gas Property Expenses (COGPE)	116,731	125,542
Undepreciated Capital Cost (UCC)	44,119	45,207
Total	424,654	457,694

The Company's non-capital losses will begin to expire between 2032 and 2040. The amount and timing of reversals of temporary differences will be dependent upon a number of factors, including the Company's future operating results. With the exception of the temporary differences related to the derivative contract gain, the Company does not expect any deferred tax assets or liabilities to reverse within the next twelve months.

The Company recognized deferred tax assets to the extent that it is probable that the future benefit will be realized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The deferred tax asset is supported by the expected future utilization of tax attributes based upon future cashflows derived from the Company's updated forecasts and independent year end reserve report using the total proved cashflows and expenditures and factoring in expected corporate general and administrative and interest expenses. As a result of the increase in these future cashflows, the deferred tax asset was increased by \$11.8 million as at September 30, 2022 (September 30, 2021: \$13.8 million) with a corresponding charge to deferred income tax recovery.

13. SHARE CAPITAL

Outstanding share capital consists of an unlimited number of voting common shares.

	Number of Common Shares	Amount (\$'000s)
Balance at December 31, 2020	68,256,616	234,391
Issued on exercise of options	46,800	43
Issued pursuant to acquisitions	8,320,335	17,223
Bought deal prospectus offering	9,591,000	11,509
Share issue costs, net of deferred tax	-	(642)
Balance at December 31, 2021	86,214,751	262,524
Issued on exercise of options	935,550	1,366
Balance at September 30, 2022	87,150,301	263,890

In connection with the Prairie Storm Arrangement, the Company completed a bought deal public offering on October 20, 2021 for gross proceeds of \$11.5 million, pursuant to which the Company issued 9,591,000 subscription receipts of InPlay at a price of \$1.20 per subscription receipt. Cash proceeds were released from escrow on November 30, 2021 upon closing of the Prairie Storm Arrangement and each subscription receipt was exchanged for one common share of InPlay for no additional consideration. Net proceeds were approximately \$10.7 million after underwriting fees and other issue costs.

Also connected with the Prairie Storm Arrangement, the Company issued 8,320,335 InPlay common shares as partial consideration for the acquisition of Prairie Storm. See note 5 for additional information.

Subsequent to September 30, 2022, on October 13, 2022, the Company announced that the Toronto Stock Exchange ("TSX") had accepted the notice of the Company's intention to commence a Normal Course Issuer Bid ("NCIB"). Pursuant to the NCIB, the Company is permitted to purchase up to 6,467,875 common shares representing approximately 10% of its public float as at October 7, 2022 over a twelve month period commencing October 17, 2022. To date, the Company has purchased 10,100 common shares for cancellation at an average price of \$2.99 per common share. Shareholders can obtain, without charge, a copy of the notice by contacting the Company.

Subsequent to September 30, 2022, the Company's Board of Directors approved the implementation of a base cash dividend of \$0.015 per share on November 8, 2022 payable on November 30, 2022 to holders of the Company's common shares of record at the close of business on November 18, 2022. The monthly cash dividend is expected to be designated as an "eligible dividend" for Canadian federal and provincial income tax purposes.

14. SHARE-BASED COMPENSATION

14(a) Stock option plan

The Company has an incentive stock option plan pursuant to which options to purchase common shares may be granted to directors, officers, employees and service providers of the Company. The aggregate number of stock options that may be granted at any time under the plan shall not exceed 10% of the aggregate number of issued and outstanding common shares. The exercise price, terms of vesting and expiry date of stock options are fixed by the directors of the Company at the time of grant. All outstanding stock options vest over a three year period, or otherwise in accordance with the stock option plan, and expire five years from the date of grant. The directors of the Company may amend, alter or revise the terms and conditions of the stock option plan or of any outstanding stock options, subject to the terms of the plan.

	Number of options	Weighted avg. remaining life (years)	Weighted avg. exercise price
Outstanding at December 31, 2020	5,312,800	3.29	0.96
Granted during the year	2,059,400	4.49	1.14
Exercised during the year	(46,800)	3.35	0.64
Forfeited during the year	(498,600)	1.15	1.51
Outstanding at December 31, 2021	6,826,800	3.04	0.98
Granted during the period	590,200	4.86	3.33
Exercised during the period	(935,550)	1.85	1.02
Expired during the period	(90,000)	-	1.98
Forfeited during the period	(63,000)	4.33	1.83
Outstanding at September 30, 2022	6,328,450	2.69	1.17
Exercisable at September 30, 2022	3,040,250	1.82	0.86

Share-based compensation in the amount of \$0.2 million and \$0.5 million was recognized in the three and nine months ended September 30, 2022 (three months ended September 30, 2021 - \$0.1 million; nine months ended September 30, 2021 - \$0.2 million) relating to stock options, in addition to \$0.1 million (September 30, 2021 - \$0.1 million) of capitalized stock based compensation recognized for three months ended September 30, 2022, all with a corresponding credit to contributed surplus.

The fair value of each stock option granted in the three and nine months ended September 30, 2022 and September 30, 2021 is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Risk free interest rate	3.25%	-	3.19%	0.25%
Expected volatility	104%	-	104%	69%
Expected life	3.5 years	-	3.5 years	3.5 years
Dividend yield	Nil	-	Nil	Nil
Expected forfeiture rate	Nil	-	Nil	Nil
Stock price on grant date	\$3.44	-	\$3.41	\$0.37
Fair value per option	2.37	-	2.35	\$0.18

14(b) Deferred share unit (“DSU”) plan

The Company has implemented a deferred share unit plan under which DSUs may be granted to non-employee directors of the Company. All outstanding DSUs vest evenly over a three year period. Awards are settled in cash at each vesting date and the value is determined by the Company’s share price on the vesting date.

	Number of DSUs
Outstanding at December 31, 2020	500,000
Granted during the year	688,073
Vested during the year	(456,864)
Forfeited during the year	(190,197)
Outstanding at December 31, 2021	541,012
Granted during the period	63,900
Vested during the period	(147,004)
Outstanding at September 30, 2022	457,908

Cash payments in the amount of \$0.6 million (September 30, 2021 - \$nil) were made during the nine months ended September 30, 2022 relating to DSUs vesting during the period. Share-based compensation in the amount of \$0.1 million and \$0.7 million was recognized in the three and nine months ended September 30, 2022 (three months ended September 30, 2021 - \$0.2 million; nine months ended September 30, 2021 - \$0.6 million) relating to DSUs, with a corresponding credit to Deferred share unit liability.

14(c) Restricted and Performance Award Incentive Plan

During the quarter, the Company implemented a restricted and performance award incentive plan under which Restricted Awards (“RAs”) and Performance Awards (“PAs”) may be granted to directors, officers, employees, consultants or other service providers of the Company. Each RA and PA entitles the holder to an award value vesting evenly over a three year period. The award value of PAs is adjusted for a payout multiplier which can range from 0.0 to 2.0 and is dependent on the performance of the Company relative to pre-defined corporate performance measures for a particular period. The Company is eligible to settle the award value of vesting RAs and PAs either in cash or in common shares acquired by an independent trustee in the open market.

	Number of RAs	Number of PAs
Outstanding at December 31, 2021	-	-
Granted during the period	716,249	428,710
Outstanding at September 30, 2022	716,249	428,710

For the nine months ended September 30, 2022, the trustee purchased nil common shares for a total cost of \$nil and as at September 30, 2022, the trustee held nil common shares in trust. Share-based compensation in the amount of \$0.2 million and \$0.2 million was recognized in the three and nine months ended September 30, 2022 (three months ended September 30, 2021 - \$nil; nine months ended September 30, 2021 - \$nil) relating to RAs and PAs, in addition to \$0.1 million (September 30, 2021 - \$nil) of capitalized stock based compensation recognized for three months ended September 30, 2022, all with a corresponding credit to contributed surplus.

15. PROFIT PER COMMON SHARE

(\$'000s, except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Profit for the period	15,352	8,289	63,160	59,880
Weighted average number of common shares (basic)	87,139,344	68,290,573	86,824,199	68,269,114
Weighted average number of common shares (diluted) ⁽¹⁾	91,157,267	70,434,134	91,004,595	69,303,639
Basic profit per share	0.18	0.12	0.73	0.88
Diluted profit per share	0.17	0.12	0.69	0.86

⁽¹⁾ A total of 472,200 options are excluded from the per share calculations for the three months ended September 30, 2022 as they are anti-dilutive (three months ended September 30, 2021 – 1,787,100 options). A total of 472,200 options are excluded from the per share calculations for the nine months ended September 30, 2022 as they are anti-dilutive (nine months ended September 30, 2021 – 1,979,100 options).

16. REVENUE AND DERIVATIVE CONTRACTS

(\$'000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Oil sales	39,439	23,875	124,579	59,341
Natural Gas sales	11,046	4,711	36,464	10,380
NGL sales	6,500	2,745	19,386	6,878
Total	56,985	31,331	180,429	76,599
Changes in fair value of derivative contracts				
Realized (loss) on derivative contracts	(514)	(1,917)	(6,702)	(9,564)
Unrealized gain (loss) on derivative contracts	3,042	981	178	(2,049)
Gain (loss) on derivative contracts	2,528	(936)	(6,524)	(11,613)

17. GENERAL AND ADMINISTRATIVE EXPENSES

(\$'000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Gross general and administrative	2,998	1,854	8,786	5,206
Capitalized G&A and recoveries	(579)	(289)	(1,745)	(973)
General and administrative expense	2,419	1,565	7,041	4,233

18. FINANCE EXPENSE

(\$'000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Interest expense (Credit Facility and other)	1,299	1,304	3,999	4,378
Interest expense (Lease liabilities)	6	5	20	16
Accretion on decommissioning obligation	244	317	1,277	791
Finance expense	1,549	1,626	5,296	5,185

19. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital is comprised of:

(\$'000s)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
Source (use) of cash	2022	2021	2022	2021
Accounts receivable and accruals	7,417	(1,555)	(4,452)	(6,805)
Prepaid expenses, deposits and inventory	(1,808)	(712)	(3,029)	(505)
Accounts payable and accruals	3,109	5,216	13,385	2,493
Deferred share unit liability	73	161	154	540
	8,791	3,110	6,058	(4,277)
Related to operating activities	3,288	(1,503)	(4,830)	(3,396)
Related to investing activities	5,503	4,613	10,888	(881)
	8,791	3,110	6,058	(4,277)

20. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Company has exposure to credit, liquidity and market risk from its use of financial instruments. This note presents information about the Company's exposure to these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Management of InPlay has overall responsibility for identifying the principal risks of the Company and ensuring the policies and procedures are in place to appropriately manage these risks. InPlay's management identifies, analyzes and monitors risks and considers the implication of the market condition in relation to the Company's activities.

20(a) Fair value of financial instruments

Financial instruments comprise cash and cash equivalents, accounts receivable and accrued receivables, derivative contracts, accounts payable and accrued liabilities, lease liabilities and bank debt.

The carrying amounts for cash and cash equivalents, accounts receivable and accrued receivables, and accounts payable and accrued liabilities are reasonable approximations of their respective fair values due to the short-term maturities of those instruments. Lease liabilities carrying amount is a reasonable approximation of its fair value as it is present valued at the discount rate implicit in the lease or the Company's incremental borrowing rate. Bank debt's carrying amount is also a reasonable approximation of its fair value as it is variable rate debt with similar terms to what would be available as of the statement of financial position date.

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the nature of inputs used to value the instrument:

- Level 1 – observable inputs such as quoted prices in active markets;
- Level 2 – inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and
- Level 3 – one or more of the significant inputs is not based on observable market data exists.

The fair values of the derivative contracts used for risk management as at September 30, 2022 and December 31, 2021 were measured using level 2 observable inputs, including quoted prices received from financial institutions based on published forward price curves as at the measurement date, using the remaining contracted oil and natural gas volumes.

During the nine months ended September 30, 2022 and September 30, 2021, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

20(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint operations partners and petroleum and natural gas customers.

Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. When production is not taken in kind payment comes from the common stream operator and facility operator in which payment is typically received on the 25th day of the month following production. InPlay's approach to mitigate credit risk associated with these balances is to maintain marketing relationships with large, established and reputable customers, common stream operators and facility operators that are considered to be creditworthy. InPlay has not experienced any collection issues with its current common stream and facility operators.

Joint operations receivables are typically collected within two to three months of the joint operations billing being issued to the partner. InPlay mitigates collection risk from joint operations receivables by obtaining partner approval of significant capital and operating expenditures prior to expenditure and, in certain circumstances, may collect cash deposits in advance of incurring financial obligations on behalf of joint operations partners. Joint operations receivables are from partners in the petroleum and natural gas industry who are subject to the risks and conditions of the industry. Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting joint operations receivables.

The Company does not typically obtain collateral from oil and natural gas customers or joint interest partners; however, the Company does have the ability to withhold production from joint interest partners in the event of non-payment. In addition, the Company has approximately \$0.9 million in amounts owing to oil and natural gas customers or joint interest partners that could be withheld if collection issues were to occur.

Trade and other receivables are non-interest bearing and are generally on 25 to 90 day terms. The Company's expected credit loss as at September 30, 2022 was \$0.5 million (December 31, 2021 – \$0.4 million). The Company has considered the impact of the COVID-19 outbreak and the resulting volatility to commodity prices on the expected credit loss of the Company and has not noted a significant impact.

In determining the recoverability of trade and other receivables, InPlay considers the type and age of the outstanding receivables, the credit risk of the counterparties, and the recourse available to InPlay. The maximum exposure to credit risk for accounts receivable and accruals, net of expected credit loss at the reporting date by type of customer was:

(\$'000s)	Carrying Amount	
	Sept. 30, 2022	Dec. 31, 2021
Oil and natural gas customers	\$ 18,199	\$ 11,325
Joint operations partners	2,155	4,573
Accruals & Other	1,009	1,013
Total	\$ 21,363	\$ 16,911

The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable and accrued receivables. The expected credit losses below also incorporate forward looking information.

As of September 30, 2022 and December 31, 2021, the Company's accounts receivable and accrued receivables was aged as follows:

Aging (\$'000s)	Sept. 30, 2022	Dec. 31, 2021
0 – 30 days	20,469	13,975
30- 90 days	88	1,507
Greater than 90 days	1,289	1,836
Expected credit loss	(483)	(407)
Total	\$ 21,363	\$ 16,911

The Company considers amounts outstanding greater than 90 days to be past due. Receivables normally collectible within 30 to 60 days can take longer as information requests and timing can come into effect in dealing with receivables from joint venture partners. At September 30, 2022 \$1.3 million (December 31, 2021 – \$1.8 million) in receivables were over 90 days due and considered past due.

Cash and cash equivalents, when held, consist of cash bank balances and short-term deposits which all mature in less than 90 days. InPlay only invests cash and enters into short-term deposits and derivative contracts with large established Canadian banks and avoids complex investment vehicles with higher risk.

20(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The impacts of the COVID-19 outbreak and the resulting decreases to commodity prices in 2020 had increased the liquidity risk of the Company. However, the improvement to commodity prices in 2022 has decreased this liquidity risk. The Company's objective is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due.

To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. The Company uses authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures.

To provide capital when needed, the Company has a \$110 million Credit Facility which is reviewed semi-annually by its lenders. The Credit Facility is described further in note 10.

The Company also attempts to match its payment cycle with collection of oil and natural gas revenue on the 25th of each month.

The following are the contractual maturities of non-derivative financial liabilities at September 30, 2022:

(\$'000s)	2022	2023	2024
Non-derivative financial liabilities:			
Accounts payable and accrued liabilities	\$ 38,054	\$ -	\$ -
Bank loans – principal ⁽¹⁾	-	-	38,642
Bank loans – interest ⁽²⁾	965	3,861	1,609
Total	\$ 39,019	\$ 3,861	\$ 40,251

⁽¹⁾ Assumes the Credit Facility is not renewed on May 30, 2023, whereby outstanding balances become due one year later on May 30, 2024.

⁽²⁾ Assumes interest is incurred on bank debt outstanding on the Credit Facility at September 30, 2022 at the Company's effective interest rate during the current quarter and the principal balance is repaid May 30, 2024.

The following table shows the break-down of the Company's accounts payable and accrued liabilities:

(\$'000s)	Carrying Amount	
	Sept. 30, 2022	Dec. 31, 2021
Trade payables ⁽³⁾	\$ 24,700	\$ 16,673
Joint operations partners	2,666	2,291
Accruals ⁽⁴⁾	10,688	5,705
Total	\$ 38,054	\$ 24,669

⁽³⁾ Includes all payables related to operations, including royalties payable.

⁽⁴⁾ Accruals include amounts for goods and services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier as of the reporting date. These accruals relate to both operating and capital activities.

20(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, commodity price risk and interest rate risk. The Company is exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. Derivative instruments may be used to reduce exposure to these risks.

(i) Foreign currency exchange rate risk

The Company is exposed to the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. While substantially all of the Company's sales are denominated in Canadian dollars, the market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian dollar and the United States dollar. The Company had no forward exchange rate contracts in place as at September 30, 2022.

(ii) Commodity price risk

The Company is exposed to the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. The reference price for buyers and sellers of crude oil relevant to the Company's oil sales is West Texas Intermediate at Cushing, Oklahoma, USA ("WTI"), and the reference price for buyers and sellers of natural gas includes deals that are conducted anywhere within TransCanada's Alberta, Canada System, otherwise known as NOVA ("AECO"). Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined above, but also world economic events and North American processing and supply considerations that influence the levels of supply and demand. The impacts of the COVID-19 outbreak and the resulting decreases to commodity prices has significantly increased volatility of commodity prices and has increased the commodity price risk of the Company.

InPlay manages the risks associated with changes in commodity prices by entering into financial derivative risk management contracts. The Company does not apply hedge accounting for these contracts. The Company does not enter into commodity contracts other than to manage the risk of commodity price fluctuation from the Company's expected commodity sales.

At September 30, 2022 the following commodity-based derivative contracts were outstanding and recorded at estimated fair value.

Type of contract: three-way collar⁽¹⁾ (crude oil pricing WTI):

Currency denomination	Volume (bbl/day)	Sold put price	Bought put price	Sold call price	Term	Fair value (\$'000s CAD)
US dollar	1,400	45.00/bbl	50.00/bbl	100.00/bbl	July 1, 2022 – Nov. 30, 2022	(\$44)

⁽¹⁾ The WTI three-way collars are a combination high priced sold call, low priced sold put and a mid priced bought put. The high sold call price is the maximum price the Company will receive for the contract volumes. The mid bought put price is the minimum price InPlay will receive, unless the market price falls below the low sold put strike price, in which case InPlay receives market price plus the difference between the mid bought put price minus the low sold put price

Type of contract: swap (natural gas pricing AECO):

Currency denomination	Volume (GJ/day)	Average swap price	Term	Fair value (\$'000s CAD)
Canadian dollar	5,250	3.64/GJ	April 1, 2022 – October 31, 2022	(\$125)
Canadian dollar	4,000	4.90 /GJ	September 1, 2022 – October 31, 2022	\$53

Type of contract: costless collar⁽²⁾ (natural gas pricing AECO):

Currency denomination	Volume (GJ/day)	Bought put price	Sold call price	Term	Fair value (\$'000s CAD)
Canadian dollar	2,750	2.50/GJ	3.64/GJ	April 1, 2022 – Oct. 31, 2022	(\$70)
Canadian dollar	5,500	2.25/GJ	4.93/GJ	Nov. 1, 2022 – Nov. 30, 2022	(\$160)

⁽²⁾ Costless collar indicates InPlay concurrently bought put and sold call options at strike prices such that the costs and premiums received offset each other, thereby completing the derivative contracts on a costless basis.

The estimated fair value of the financial option contracts has been determined on the amounts the Company would receive or pay for another party to assume the contracts. At September 30, 2022, the Company estimates that it would pay \$0.3 million to terminate these contracts.

An increase or decrease of \$5.00 per barrel WTI of oil and \$0.25 per Mcf AECO of natural gas would decrease the fair value of derivative contracts by \$0.2 million and increase the fair value of derivative contracts by \$0.2 million respectively as at September 30, 2022.

The fair value of the financial commodity risk management contracts at September 30, 2022 was a liability of \$0.3 million (December 31, 2021: \$0.5 million).

Subsequent to September 30, 2022 the Company entered into commodity-based derivative contracts as follows:

Type of contract: swap (natural gas pricing AECO):

Currency denomination	Volume (GJ/day)	Average swap price	Term
Canadian dollar	2,500	4.06/GJ	April 1, 2023 – October 31, 2023

(iii) Interest rate risk

The Company is exposed to the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's primary exposure is related to its floating interest rate credit facility. The Company estimates that an increase or decrease of 1% in interest rates would result in a change in interest expense on bank debt by approximately \$0.1 million for the three months ended September 30, 2022 (September 30, 2021 - \$0.2 million).

20(e) Capital management

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility which will allow it to execute an acquisition or to execute on its capital investment program, provide creditor and market confidence and to sustain the future development of the business.

At September 30, 2022, InPlay's capital structure includes shareholders' equity, bank debt and working capital. The Company manages its capital structure by continually monitoring its business conditions, including: changes in economic conditions, the risk profile of its drilling inventory, the efficiencies of past investments, the efficiencies of forecast investments and the timing of such investments, the forecast commodity prices and resulting cash flows.

InPlay's current capital structure is summarized below:

(\$'000s)		Sept. 30, 2022		Dec. 31, 2021
Bank debt	\$	38,642	\$	79,127
Accounts payable and accrued liabilities		38,054		24,669
Accounts receivable and accrued receivables, prepaid expenses and deposits and inventory		(31,081)		(23,600)
Net debt		45,615		80,196
Shareholders' equity		254,498		189,364
Total capitalization	\$	30,113	\$	269,560

In addition to the capital structure described above, internally generated adjusted funds flow also contributes to the Company's ability to maintain financial flexibility. Adjusted funds flow is calculated as funds flow before transaction and integration costs and decommissioning expenditures. Adjusted funds flow for the three and nine months ended September 30, 2022 and September 30, 2021 was as follows:

(\$'000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Funds flow	29,486	15,186	98,197	29,466
Transaction and integration costs	-	-	291	-
Decommissioning expenditures	746	369	2,046	413
Adjusted funds flow	30,232	15,555	100,534	29,879

21. COMMITMENTS**21(a) Lease commitments**

The Company has the following estimated annual obligations related to various leases. The minimum future payments for these leases are as follows:

(\$'000s)	2022	2023	2024
Total	85	327	28

21(b) Other commitments

The Company has entered into firm service gas transportation agreements in which the Company guarantees certain minimum volumes of natural gas will be shipped on various gas transportation systems. The terms of the various agreements expire in one to five years. If no volumes were shipped pursuant to the agreements, the maximum amounts payable under the guarantees based on current tariff rates are as follows:

(\$'000s)	2022	2023	2024	2025	Thereafter
Firm service commitment ⁽¹⁾	173	709	435	98	24

- ⁽¹⁾ The Company's commitment relating to firm service transportation does not constitute a lease under IFRS 16 given the Company does not obtain substantially all of the economic benefit from the use of the relevant gas transportation systems.