INPLAY OIL

Financial Statements

For the three months ended March 31, 2022

Statements of Financial Position

(unaudited)

(Thousands of Canadian dollars)	Note		**March 31, 2022**		December 31, 2021
ASSETS					
Current assets					
Accounts receivable and accrued receivables	20	**$**	**26,337**	$	16,911
Prepaid expenses and deposits			**2,571**		2,971
Inventory			**3,585**		3,718
Total current assets			**32,493**		23,600
Property, plant and equipment	5, 6, 7		**348,825**		346,414
Exploration and evaluation	8		**14,538**		14,496
Right-of-use asset	9		**466**		573
Deferred tax	12		**27,352**		21,401
Total assets		**$**	**423,674**	$	406,484
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	20		**34,190**		24,669
Lease liability	9		**280**		316
Decommissioning obligation	11		**2,193**		2,193
Deferred share unit liability	14		**859**		628
Derivative contracts	20		**7,017**		524
Bank debt	10		**45,431**		52,863
Total current liabilities			**89,970**		81,193
Bank debt	10		**26,264**		26,264
Lease liability	9		**191**		262
Decommissioning obligation	11		**98,490**		109,401
Total long term liabilities			**124,945**		135,927
Total liabilities			**214,915**		217,120
Shareholders' equity					
Share capital	13		**263,079**		262,524
Contributed surplus	14		**16,646**		16,580
Deficit			**(70,966)**		(89,740)
Total shareholders' equity			**208,759**		189,364
Total liabilities and shareholders' equity		**$**	**423,674**	$	406,484
Commitments	22				

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 (Loss) and Comprehensive Income (Loss)

(unaudited)

(Thousands of Canadian dollars, except per share amounts)	Note	Three Months Ended March 31 2022	2021
Oil and natural gas sales	16	**$ 52,156**	$ 20,001
Royalties		**(7,599)**	(1,245)
Revenue		**44,557**	18,756
(Loss) on derivative contracts	16	**(7,095)**	(5,275)
		37,462	13,481
Operating expenses		**9,588**	6,422
Transportation expenses		**893**	418
Exploration and evaluation expenses	8	**-**	5,418
General and administrative expenses	17	**2,215**	1,089
Share-based compensation	14	**623**	287
Depletion and depreciation	6	**9,247**	5,734
Finance expenses	18	**1,857**	1,649
Transaction and integration costs	5	**216**	-
		24,639	21,017
Profit (loss) before tax		**12,823**	(7,536)
Deferred income tax (recovery)	12	**(5,951)**	-
Profit (loss) and comprehensive income (loss)		**$ 18,774**	$ (7,536)
PROFIT (LOSS) PER COMMON SHARE			
Basic	15	**$ 0.22**	$ (0.11)
Diluted	15	**$ 0.21**	$ (0.11)

The above Statements of Profit (Loss) and Comprehensive Income (Loss) 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	-	125	-	125
(Loss) for the period		-	-	(7,536)	(7,536)
Balance at March 31, 2021		234,391	16,266	(212,347)	38,310
Balance at December 31, 2021		262,524	16,580	(89,740)	189,364
Share-based compensation	14	-	234	-	234
Option exercises	14	555	(168)	-	387
Profit for the period		-	-	18,774	18,774
Balance at March 31, 2022		**263,079**	**16,646**	**(70,966)**	**208,759**

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 March 31 2022		2021
Cash flows provided by (used in):					
OPERATING ACTIVITIES					
Profit (loss) for the period		**$**	**18,774**	$	(7,536)
Non-cash items:					
Depletion and depreciation	6		**9,247**		5,734
Unrealized loss on derivative contracts	16		**6,494**		2,230
Accretion on decommissioning obligation	11		**433**		165
Share-based compensation	14		**166**		94
Exploration expense	8		**-**		5,418
Deferred income tax (recovery)	12		**(5,951)**		-
Decommissioning expenditures	11		**(877)**		(12)
Funds flow			**28,286**		6,093
Net change in non-cash working capital	19		**(7,281)**		(265)
Net cash flow provided by operating activities			**21,005**		5,828
FINANCING ACTIVITIES					
Principal portion of finance lease payments	9	**$**	**(107)**	$	(118)
Proceeds from exercise of stock options			**387**		-
Increase (decrease) in bank debt	10		**(7,432)**		5,852
Net cash flow provided by (used in) financing activities			**(7,152)**		5,734
INVESTING ACTIVITIES					
Capital expenditures – Property, plant and equipment	6	**$**	**(21,520)**	$	(12,187)
Capital expenditures – Exploration and evaluation	8		**(42)**		(22)
Property dispositions (acquisitions)	5		**1**		(19)
Corporate acquisitions, net of cash acquired	5		**(432)**		-
Net change in non-cash working capital	19		**8,140**		666
Net cash flow (used in) investing activities			**(13,853)**		(11,562)
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		**$**	**1,424**	$	1,477

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

Notes to the Financial Statements

(unaudited)

MARCH 31, 2022 AND MARCH 31, 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 May 10, 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 in 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 have been 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	**74,201**
Exploration and evaluation	**2,037**
Right-of-use assets	**502**
Deferred tax liability	**(2,755)**
Accounts payable and accrued liabilities	**(3,036)**
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 three months ended March 31, 2022, the acquired amount of Property, plant and equipment was adjusted by $0.4 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 three months ended March 31, 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	**21,587**
Additions/revisions to decommissioning obligation	**(10,467)**
Dispositions	**(1)**
Corporate acquisitions	**432**
Balance at March 31, 2022	**624,045**

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)	**9,140**
Balance at March 31, 2022	**275,220**

(1) Excludes $0.1 million of depreciation relating to Right-of-use assets (December 31, 2021: $0.5 million).

Net book value ($'000s)	**Total**
At December 31, 2021	346,414
At December 31, 2022	**348,825**

For the three months ended March 31, 2022, additions to property, plant and equipment included capitalized general and administrative expenses of $0.5 million (March 31, 2021: $0.3 million) and costs related to share-based compensation of $0.1 million (March 31, 2021: $0.05 million). Future development costs in the amount of $458 million were included in the depletion calculation for the three months ended March 31, 2022 (March 31, 2021: $251 million).

7. IMPAIRMENT LOSS (REVERSAL)

2022 Impairment Considerations

At March 31, 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 have been 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.

	Light, Sweet Crude Edmonton ($Cdn/bbl)			AECO Gas Price ($Cdn/MMBtu)		
Year	**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)	**March 31, 2022**	December 31, 2021
Opening balance	**14,496**	21,136
Additions	**42**	71
Acquisitions	**-**	2,037
Transfers to property, plant and equipment	**-**	(151)
Transfers to exploration and evaluation expense	**-**	(8,597)
Ending balance	**14,538**	14,496

At March 31, 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)	**March 31, 2022**	December 31, 2021
Opening balance	**573**	537
Acquisitions	**-**	502
Depreciation	**(107)**	(466)
Ending balance	**466**	573

9(b) Lease liability

The following table details the movement in lease liabilities for the three months ended March 31, 2022.

($'000s)	**Total**
Balance at December 31, 2020	553
Acquired	502
Repayments	(497)
Interest	20
Balance at December 31, 2021	578

Repayments	**(114)**
Interest	**7**
Balance at March 31, 2022	**471**
Expected to be incurred within one year	**280**
Expected to be incurred beyond one year	**191**

The Company does not have any lease contracts that are entered into by a joint arrangement, or on behalf of the joint arrangement, at March 31, 2022.

10. BANK DEBT

($'000s)	**March 31, 2022**	December 31, 2021
Senior Credit Facility	**45,431**	52,863
BDC Term Facility	**26,264**	26,264
Total Bank Debt	**71,695**	79,127

10(a) Senior Credit Facility

In connection with the Prairie Storm Arrangement, on November 30, 2021 the aggregate available borrowing capacity of Company's credit facility with its syndicate of lenders (the "**Senior Credit Facility**") was increased from $65.0 million to $85.0 million. The Senior Credit Facility consists of a $55 million revolving line of credit, a $10 million operating line of credit and a $20 million syndicated term facility maturing November 30, 2022 (the "**Senior Term Facility**"). The Senior Term Facility will require mandatory repayments as follows: (i) $6 million by May 31, 2022; (ii) $7 million by August 31, 2022; and (iii) $7 million by November 30, 2022.

The revolving portion of the Senior Credit Facility has a term out date of May 30, 2022, and if not extended, additional advances would not be permitted and any outstanding advances would become repayable at November 30, 2022. The Senior Term Facility has a maturity date of November 30, 2022 and any outstanding advances would become repayable at November 30, 2022. The Senior Credit Facility is secured by a floating charge debenture of $150 million and a general security agreement on the assets of the Company. At March 31, 2022 the Company had drawn $25.4 million on the revolving portion of the Senior Credit Facility and $20 million on the Senior Term Facility. There are standard reporting covenants under the Senior Credit Facility, however there are no financial covenants. The Company was in compliance with these standard reporting covenants as at March 31, 2022.

Under the Senior 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% for the revolving portion of the Senior Credit Facility and between 5.00% and 8.50% for the Senior Term Facility. Advances may also be drawn as banker's acceptances, Libor loans, and letters of credit, subject to Canadian interest benchmark rates plus margins ranging from 3.00% to 6.50% for the revolving portion of the Senior Credit Facility and 6.00% to 9.50% for the Senior Term Facility. 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 revolving portion of the Senior Credit Facility is scheduled for annual renewal on May 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 Senior Credit Facility will not be adjusted at the next annual review. In the event that the lenders reduce the revolving portion of the Senior Credit Facility borrowing base 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 revolving portion of the Senior Credit Facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties.

10(b) BDC Term Facility

On October 30, 2020 the Company entered into a term loan with the Business Development Bank of Canada ("BDC") under their Business Credit Availability Program ("BCAP") which provided the Company with a non-revolving $25 million, second lien, four year term loan facility (the "BDC Term Facility"). The BDC Term Facility has a maturity date of October 30, 2024 and is secured by a floating charge debenture of $150 million and a general security agreement on the assets of the Company. At March 31, 2022 the Company had drawn the full $25.0 million on the BDC Term Facility and had accrued $1.3 million in interest that was added to the principal amount. There are standard reporting covenants under the BDC Term Facility and certain operational covenants, however there are no financial covenants.

Under the BDC Term Facility, draws incur an interest rate equal to the greater of the interest rate charged on the Company's operating line of credit or 5% for the first year and increasing by 1% at each anniversary date of the facility. Standby fees are charged on the undrawn portion of the BDC Term Facility at a rate of 0.50%. Annual renewal fees are charged on the full BDC Term Facility amount at a rate of 1.25% at inception, 1% on the first anniversary date, 1.25% on the second anniversary date and 1.5% on the third anniversary date.

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

11. DECOMMISSIONING OBLIGATION

($'000s)	**March 31, 2022**	December 31, 2021
Opening balance	**111,594**	80,421
Provisions incurred	**277**	1,161
Revaluation of liabilities acquired based on discount rate	**-**	25,565
Provisions acquired	**-**	7,031
Provisions settled	**(877)**	(1,433)
Change in estimates	**(10,130)**	(1,473)
Accretion expense	**433**	1,133
Government grants	**(614)**	(811)
Ending balance	**100,683**	111,594
Expected to be incurred within one year	**2,193**	2,193
Expected to be incurred beyond one year	**98,490**	109,401

The estimated future cash out flows as at March 31, 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 2.3% to 2.4% 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 March 31, 2022 was approximately $190.2 million (December 31, 2021 - $172.2 million). The total uninflated undiscounted amount of estimated future cash flows required to settle the decommissioning obligation at March 31, 2022 was approximately $110.4 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 three months ended March 31, 2022, the Company received $0.6 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 (recovery) per the statement of (loss) and comprehensive (loss):

($'000s)	Three Months Ended March 31	
	2022	2021
Profit (loss) before tax	**12,823**	(7,536)
Expected income tax rate	**23%**	23%
Expected income tax expense (recovery)	**2,949**	(1,733)
Increase (decrease) in income taxes resulting from:		
Non-taxable permanent differences – stock based comp.	**91**	66
Other	**1**	1
Revaluation of deferred tax asset	**(8,992)**	1,666
Deferred income tax (recovery)	**(5,951)**	-

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

($'000s)	**March 31, 2022**	December 31, 2021
Non-capital loss carryforward balances	**138,152**	152,699
Share issue costs	**969**	1,020
Canadian Exploration Expenses (CEE)	**64,773**	64,773
Canadian Development Expenses (CDE)	**77,913**	68,453
Canadian Oil and Gas Property Expenses (COGPE)	**122,820**	125,542
Undepreciated Capital Cost (UCC)	**46,526**	45,207
Total	**$ 451,153**	$ 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 $9.0 million as at March 31, 2022 (March 31, 2021: decreased $1.7 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	**322,600**	**555**
Balance at March 31, 2022	**86,537,351**	**263,079**

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.

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	18,000	4.76	2.11
Exercised during the period	(322,600)	1.58	1.20
Expired during the period	(90,000)	-	1.98
Outstanding at March 31, 2022	**6,432,200**	**2.75**	**0.96**
Exercisable at March 31, 2022	**3,590,050**	**2.30**	**0.87**

Share-based compensation in the amount of $0.2 million was recognized in the three months ended March 31, 2022 (March 31, 2021 - $0.1 million) relating to stock options, in addition to $0.1 million (March 31, 2021 - $0.05 million) of capitalized stock based compensation recognized for three months ended March 31, 2022, all with a corresponding credit to contributed surplus.

The fair value of each stock option granted in the three months ended March 31, 2022 and March 31, 2021 is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three Months Ended March 31	
	2022	2021
Risk free interest rate	**1.16%**	0.25%
Expected volatility	**101%**	69%
Expected life	**3.5 years**	3.5 years
Dividend yield	**nil**	nil
Expected forfeiture rate	**nil**	nil
Stock price on grant date	**$2.32**	$0.37
Fair value per option	**$1.57**	$0.18

14(b) Deferred share unit ("DSU") plan

During the year ended December 31, 2019, the Company 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	(123,530)
Outstanding at March 31, 2022	**481,382**

Cash payments in the amount of $0.4 million (March 31, 2021 - $nil) were made during the three months ended March 31, 2022 relating to DSUs vesting during the period. Share-based compensation in the amount of $0.5 million was recognized in the three months ended March 31, 2022 (March 31, 2021 - $0.2 million) relating to DSUs, with a corresponding credit to Deferred share unit liability.

15. PROFIT (LOSS) PER COMMON SHARE

($'000s except per share amounts)	Three Months Ended March 31	
	2022	**2021**
Profit (loss) for the period	**18,774**	(7,536)
Weighted average number of common shares (basic)	**86,449,636**	68,256,616
Weighted average number of common shares (diluted)[1]	**90,964,311**	68,256,616
Basic profit (loss) per common share	**0.22**	(0.11)
Diluted profit (loss) per common share	**0.21**	(0.11)

(1) A total of nil options are excluded from the per share calculations as they are anti-dilutive. (March 31, 2021: 6,355,700 options).

16. REVENUE AND DERIVATIVE CONTRACTS

($'000s)	Three Months Ended March 31	
	2022	2021
Oil sales	**37,164**	15,270
Natural Gas sales	**9,348**	2,608
NGL sales	**5,644**	2,123
Total	**52,156**	20,001
Changes in fair value of derivative contracts:		
Realized (loss) on derivative contracts	**(601)**	(3,045)
Unrealized (loss) on derivative contracts	**(6,494)**	(2,230)
(Loss) on derivative contracts	**(7,095)**	(5,275)

17. GENERAL AND ADMINISTRATIVE EXPENSES

($'000s)	Three Months Ended March 31	
	2022	2021
Gross general and administrative	**2,840**	1,452
Capital G&A and recoveries	**(625)**	(363)
Total	**2,215**	1,089

18. FINANCE EXPENSE

($'000s)	Three Months Ended March 31	
	2022	2021
Interest expense (Credit Facility and other)	**1,417**	1,477
Interest expense (Lease liabilities)	**7**	7
Accretion expense on decommissioning obligation	**433**	165
Finance expense	**1,857**	1,649

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

($'000s)	Three Months Ended March 31	
	2022	2021
Source (use) of cash		
Accounts receivable and accruals	**(9,426)**	(2,465)
Prepaid expenses, deposits and inventory	**533**	297
Accounts payable and accruals	**9,521**	2,414
Deferred share unit liability	**231**	155
	859	401
Related to operating activities	**(7,281)**	(265)
Related to investing activities	**8,140**	666
	859	401

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 March 31, 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 three months ended March 31, 2022 and March 31, 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 March 31, 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:

	Carrying Amount			
($'000s)		**March 31, 2022**		December 31, 2021
Oil and natural gas customers	**$**	**22,006**	$	11,325
Joint operations partners		**3,373**		4,573
Accruals & Other		**958**		1,013
Total	**$**	**26,337**	$	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 March 31, 2022 and December 31, 2021, the Company's accounts receivable and accrued receivables was aged as follows:

Aging **($'000s)**		**March 31, 2022**		December 31, 2021
0 – 30 days		**24,821**		13,975
30- 90 days		**376**		1,507
Greater than 90 days		**1,623**		1,836
Expected credit loss		**(483)**		(407)
Total	**$**	**26,337**	$	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 March 31, 2022 $1.6 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 has increased the liquidity risk of the Company. 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 an $85 million Senior Credit Facility which is reviewed semi-annually by its lenders and a $25 million term loan with the BDC. The Senior Credit Facility and BDC Term Facility are 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 March 31, 2022:

($'000s)	Less than one year	One to two years	Two to three years
Non-derivative financial liabilities:			
Accounts payable and accrued liabilities	$ 34,190	$ -	$ -
Bank loans – principal(1)	45,431	-	25,000
Bank loans – interest(2)(3)	2,602	1,948	2,490
Bank loans – fees(4)	313	375	-
Total	$ 82,536	$ 2,323	$ 27,490

(1) Assumes the revolving portion of the Senior Credit Facility is not renewed on May 30, 2022, whereby outstanding balances become due on November 30, 2022, the Senior Term Loan is payable on November 30, 2022 and the BDC Term Facility is payable on October 30, 2024.

(2) Assumes interest is incurred on bank debt outstanding on the revolving portion of the Senior Credit Facility at March 31, 2022 at the Company's effective interest rate during the current quarter and the principal of the revolving portion of the Senior Credit Facility is repaid November 30, 2022 and the principal balance of the Senior Term Facility is repaid as follows: (i) $6 million by May 31, 2022; (ii) $7 million by August 31, 2022; and (iii) $7 million by November 30, 2022.

(3) Assumes interest is incurred on the BDC Term Facility outstanding at March 31, 2022 at the interest rates prescribed in the term facility agreement, with interest in the first year added to the principal balance of the BDC Term Facility to be repaid on October 30, 2024.

(4) Annual renewal fees are charged on the full BDC Term Facility amount at a rate of 1.25% at inception, 1% on the first anniversary date, 1.25% on the second anniversary date and 1.5% on the third anniversary date.

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

	Carrying Amount	
($'000s)	**March 31, 2022**	December 31, 2021
Trade payables (5)	**$ 22,922**	$ 16,673
Joint operations partners	**2,605**	2,291
Accruals (6)	**8,663**	5,705
Total	**$ 34,190**	$ 24,669

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

(6) 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 March 31, 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 March 31, 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	1,700	45.00/bbl	50.00/bbl	93.00/bbl	April 1, 2022 – June. 30, 2022	($1,864)
US dollar	1,400	45.00/bbl	50.00/bbl	100.00/bbl	July 1, 2022 – Nov. 30, 2022	($2,372)

(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	($1,565)

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	2,000	2.50/GJ	3.80/GJ	April 1, 2022 – June 30, 2022	($192)
Canadian dollar	2,750	2.50/GJ	3.64/GJ	April 1, 2022 – Oct. 31, 2022	($827)
Canadian dollar	5,500	2.25/GJ	4.93/GJ	Nov. 1, 2022 – Nov. 30, 2022	($197)

(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 March 31, 2022, the Company estimates that it would pay $7.0 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 $1.8 million and increase the fair value of derivative contracts by $1.6 million respectively as at March 31, 2022.

The fair value of the financial commodity risk management contracts at March 31, 2022 was a liability of $7.0 million (December 31, 2020: $0.5 million).

(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 total annual interest expense on bank debt by approximately $0.2 million for the three months ended March 31, 2022 (March 31, 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 March 31, 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)		**March 31, 2022**		December 31, 2021
Bank debt	$	**71,695**	$	79,127
Accounts payable and accrued liabilities		**34,190**		24,669
Accounts receivable and accrued receivables, prepaid expenses and deposits and inventory		**(32,493)**		(23,600)
Net debt		**73,392**		80,196
Shareholders' equity		**208,759**		189,364
Total capitalization	$	**282,151**	$	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 months ended March 31, 2022 and March 31, 2021 is as follows:

($'000s)	Three Months Ended March 31	
	2022	2021
Funds flow	**28,286**	6,093
Transaction and integration costs	**216**	-
Decommissioning expenditures	**877**	12
Adjusted funds flow	**29,379**	6,105

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	227	280	8

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)	461	461	174	84	25

(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.