Financial Statements

For the three and six months ended June 30, 2018

Statements of Financial Position

(unaudited)

(Thousands of Canadian dollars)	Note	**June 30, 2018**	Dec. 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		**70**	-
Accounts receivable and accrued receivables	18	**9,029**	9,205
Prepaid expenses and deposits		**2,574**	2,181
Inventory		**699**	-
Total current assets		**12,372**	11,386
Assets held for sale	6	**-**	4,489
Property, plant and equipment	5, 6	**243,888**	224,420
Exploration and evaluation	7	**26,060**	25,987
Deferred tax		**54,209**	57,511
Total assets		**336,529**	323,793
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Deferred lease credits		**-**	11
Accounts payable and accrued liabilities	18	**19,422**	17,764
Flow-through share premium	11	**101**	1,161
Derivative contracts	18	**2,146**	1,578
Decommissioning obligation	9	**492**	492
Total current liabilities		**22,161**	21,006
Decommissioning obligation associated with assets held for sale	6	**-**	1,052
Bank debt	8	**51,566**	44,888
Decommissioning obligation	9	**70,843**	66,666
Total long term liabilities		**122,409**	111,554
Total liabilities		**144,570**	133,612
Shareholders' equity			
Share capital	11	**233,957**	233,957
Contributed surplus	12	**13,680**	12,966
Deficit		**(55,678)**	(56,742)
		191,959	190,181
Total liabilities and shareholders' equity		**336,529**	323,793
Commitments	20		

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"	(signed) "Doug Bartole"
Steve Nikiforuk	Doug Bartole

Statements of Profit (Loss) and Comprehensive Income (Loss)

(unaudited)

(Thousands of Canadian dollars, except per share amounts)	Note	Three Months Ended June 30		Six Months Ended June 30	
		2018	2017	**2018**	2017
Oil and natural gas sales	14	**20,993**	14,584	**40,902**	29,733
Royalties		**(2,245)**	(1,413)	**(4,236)**	(2,996)
Revenue		**18,748**	13,171	**36,666**	26,737
Gain (loss) on derivative contracts	14	**(1,837)**	1,088	**(3,612)**	3,023
		16,911	14,259	**33,054**	29,760
Operating expenses		**6,953**	5,437	**13,301**	10,801
Transportation expenses		**298**	233	**611**	494
Exploration and evaluation expenses	7	**49**	66	**79**	165
General and administrative expenses	15	**1,608**	1,376	**3,230**	2,746
Share-based compensation	12	**285**	347	**489**	792
Transaction & integration costs		**-**	52	**28**	341
Depletion and depreciation	6	**6,416**	5,340	**12,762**	10,805
Finance expenses	16	**948**	640	**1,902**	1,295
Gain on asset disposition	6	**-**	-	**(2,654)**	-
		16,557	13,491	**29,748**	27,439
Profit before tax		**354**	768	**3,306**	2,321
Deferred income tax expense	10	**680**	311	**2,242**	854
Profit (loss) and comprehensive income (loss)		**(326)**	457	**1,064**	1,467
PROFIT (LOSS) PER COMMON SHARE					
Basic and diluted	13	**0.00**	0.01	**0.02**	0.02

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, 2016		226,541	9,878	(49,041)	187,378
Share-based compensation	12	-	1,168	-	1,168
Profit for the period		-	-	1,467	1,467
Repurchase of shares	11	(467)	269	-	(198)
Balance at June 30, 2017		226,074	11,315	(47,574)	189,815
Issuance of share capital	11	8,811	-	-	8,811
Share-issue costs, net of deferred tax	11	(146)	-	-	(146)
Repurchase of shares	11	(782)	457	-	(325)
Share-based compensation	12	-	1,194	-	1,194
(Loss) for the period		-	-	(9,168)	(9,168)
Balance at December 31, 2017		233,957	12,966	(56,742)	190,181
Share-based compensation	12	-	714	-	714
Profit for the period		-	-	1,064	1,064
Balance at June 30, 2018		**233,957**	**13,680**	**(55,678)**	**191,959**

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 June 30		Six Months Ended June 30	
Cash flows provided by (used in):		**2018**	2017	**2018**	2017
OPERATING ACTIVITIES					
Profit (loss) for the period		**(326)**	457	**1,064**	1,467
Non-cash items:					
Depletion and depreciation	6	**6,416**	5,340	**12,762**	10,805
Unrealized loss (gain) on derivative contracts	14	**(126)**	(681)	**568**	(2,483)
Accretion on decommissioning obligation	9	**398**	331	**764**	670
Share-based compensation	12	**285**	347	**489**	792
Exploration expense	7	**49**	66	**79**	165
Deferred income tax expense	10	**680**	311	**2,242**	854
Gain on asset dispositions	6	**-**	-	**(2,654)**	-
Decommissioning expenditures	9	**(71)**	(251)	**(915)**	(251)
Net change in non-cash working capital	17	**(290)**	511	**(161)**	414
Net cash flow provided by operating activities		**7,015**	6,431	**14,238**	12,433
FINANCING ACTIVITIES					
Increase (decrease) in bank debt	8	**5,655**	(590)	**6,678**	5,441
Net cash flow provided by (used in) financing activities		**5,655**	(590)	**6,678**	5,441
INVESTING ACTIVITIES					
Capital expenditures – Property, plant and equipment	6	**(6,226)**	(4,164)	**(19,760)**	(13,633)
Capital expenditures – Exploration and evaluation	7	**(6,103)**	(281)	**(6,116)**	(307)
Property acquisitions	5	**(184)**	(1,220)	**(5,862)**	(1,220)
Property dispositions	6	**-**	-	**10,000**	-
Net change in non-cash working capital	17	**(887)**	(292)	**892**	(2,814)
Net cash flow (used in) investing activities		**(13,400)**	(5,957)	**(20,846)**	(17,974)
Increase (decrease) in cash and cash equivalents		**(730)**	(116)	**70**	(100)
Cash and cash equivalents, beginning of the period		**800**	116	**-**	100
Cash and cash equivalents, end of the period		**70**	-	**70**	-
Interest paid in cash		**550**	309	**1,138**	625

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

Notes to the Financial Statements

(unaudited)

JUNE 30, 2018 AND JUNE 30, 2017

(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 920, 640 - 5th 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.

A plan of arrangement (the "**Arrangement**") involving the predecessor to InPlay ("**Prior InPlay**") and Anderson Energy Inc. ("**Anderson**"), a publicly-traded company listed on the TSX, was completed on November 7, 2016. The Arrangement constituted a reverse acquisition that involved a change of control of Anderson and a business combination of Anderson and Prior InPlay to form a new corporation that now carries on Prior InPlay's and Anderson's business and operations under the name InPlay Oil Corp. InPlay has the same directors and management as Prior InPlay. Effective November 10, 2016, InPlay common shares commenced trading on the TSX in substitution of Anderson common shares. All regulatory filings of InPlay and Anderson can be accessed electronically under InPlay's profile on the SEDAR website at www.sedar.com.

2. BASIS OF PRESENTATION

Compliance with IFRS

These 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 financial statements as at and for the year ended December 31, 2017.

The financial statements were approved and authorized for issuance by the Board of Directors on August 9, 2018.

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 financial statements as at and for the year ended December 31, 2017, except as noted below.

3. SUMMARY OF ACCOUNTING POLICIES

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

In preparing these condensed unaudited interim financial statements, the accounting policies, methods of computation and significant judgements 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 financial statements as at and for the year ended December 31, 2017, except for the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and the addition of an accounting policy in relation to inventory.

3(a) Impact of adoption of IFRS 9 "Financial Instruments"

As disclosed in the December 31, 2017 audited financial statements, the Company has adopted, as of January 1, 2018, all of the requirements of IFRS 9 "Financial Instruments", as amended in July 2014 ("IFRS 9"). IFRS 9 replaces the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" ("IFRS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Company applied the new standard retrospectively and, in accordance with the transitional provisions, comparative figures have not been restated.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Additionally, embedded derivatives are not separated if the host contract is a financial asset within the scope of IFRS 9. Instead, the entire hybrid contract is assessed for classification and measurement. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

The new standard has also introduced a single expected credit loss impairment model to determine impairment of financial assets, which is based on changes in credit quality since initial recognition. IFRS 9 replaces the 'incurred loss' model in IAS 39. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at fair value through other comprehensive income. Under IFRS 9, credit losses will be recognized earlier than under IAS 39.

(i) Classification of Financial Assets and Financial Liabilities

On January 1, 2018, the Company has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the following IFRS 9 categories. Changes in classification from IAS 39 did not have a significant impact on the determination of financial position or profit or loss of the Company.

a) **Amortized cost:** The Company classifies its cash and cash equivalents, accounts receivable and accrued receivables, accounts payable and accrued payables and bank debt at amortized cost. These financial instruments are measured at fair value on initial recognition, which is typically the relevant transaction price unless the transaction contains a significant financing component. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method. The carrying values of the Company's cash and cash equivalents, accounts receivable and accrued receivables, accounts payable and accrued liabilities and bank debt approximate their fair values.

b) **Fair value through profit and loss ("FVTPL"):** The Company classifies its derivative contracts as measured at FVTPL. All of the Company's derivative contracts currently in place are derivatives not designated for hedge accounting and are therefore measured at FVTPL. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value charged immediately to the statements of income.

(ii) Impairment of financial assets

The Company's accounts receivable and accrued receivables are the only financial assets that are subject to IFRS 9's new expected credit loss model. The Company was required to revise its impairment methodology under IFRS 9 for this class of asset. This change in impairment methodology did not have a significant impact on the determination of financial position or profit or loss of the Company.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial given the virtual certainty associated with its collectability.

The Company applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable and accrued receivables.

To measure the expected credit losses, accounts receivable and accrued receivables have been grouped based on whether or not publically available information relating to the counterparty's credit rating and expected default rate is available. When this information is available, the expected credit loss rate applied to the counterparty is equal to the expected default rate. Where this information is not available, the expected credit loss rate applied is equal to the historical average default rate in the oil and gas industry.

On that basis, the loss allowance as at January 1, 2018 was determined as follows:

January 1, 2018	Counterparty Default Rate	Industry Default Rate	Total
Expected loss rate	2.46%	1.67%	2.32%
Gross carrying amount	7,800	1,624	9,424
Loss allowance	192	27	219

The difference between the loss allowance as at December 31, 2017 calculated under IAS 39 and January 1, 2018 calculated under IFRS 9 did not have a significant impact on the opening retained earnings of the Company at January 1, 2018.

3(b) Impact of adoption of IFRS 15 "Revenue from Contracts with Customers"

The Company has adopted IFRS 15 as of January 1, 2018 which resulted in changes in the accounting policies of the Company. IFRS 15 replaces IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. In accordance with the transition provisions in IFRS 15, the Company has adopted the new rules using the modified retrospective approach, using the following practical expedients:

- Electing to apply the standard retrospectively only to contracts that were not completed contracts on January 1, 2018; and

- For modified contracts, evaluating the original contract together with any contract modifications at the date of initial application.

This application did not result in any restatement of comparative figures relating to the year ending December 31, 2017. The adoption of IFRS 15 did not materially impact the timing or measurement of revenue. However, IFRS 15 contains new disclosure requirements of which can be found in note 18.

(i) Recognition and measurement

Revenue from the sale of oil, natural gas and NGLs is recognized when control of the product is transferred, which is, generally, when title passes to the customer in accordance with the terms of the sales contract. These sales contracts represent a series of distinct transactions. The Company considers its performance obligations under these contracts to be satisfied and control to be transferred when all the following conditions are satisfied:

- InPlay has transferred title and physical possession of the commodity to the buyer;
- InPlay has transferred the significant risks and rewards of ownership of the commodity to the buyer; and
- InPlay has the present right to payment.

Revenue is measured based on the consideration specified in the contract with the customer. Payment terms for InPlay's sales contracts are on the 25th of the month following delivery. InPlay does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money.

The Company sells its production of crude oil, natural gas and NGLs pursuant to variable price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location and other factors. The amount of revenue recognized is based on the agreed transaction price with any variability in transaction price recognized in the same period. Fees associated with marketing, transportation and other items are based on fixed price contracts.

Revenue from the production of oil, natural gas and NGLs from properties in which InPlay has an ownership interest with other producers is recognized on a net working interest basis.

The Company applies a practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have an original expected duration of one year or less and it does not have any long-term contracts with unfulfilled performance obligations. In addition, the Company also applies a practical expedient of IFRS 15 that allows any incremental costs of obtaining contracts with customers to be recognized as an expense when incurred rather than being capitalized.

3(c) Inventory

Inventory is primarily comprised of materials and supplies. Inventories are carried at the lower of cost and net realizable value. Cost consists of the costs incurred to purchase the inventory. Net realizable value is based on current market prices as at the date of the statement of financial position.

3(d) Future accounting pronouncements not yet adopted

Standards that are issued and that the Company reasonably expects to be applicable at a future date are listed below.

IFRS 16 "Leases". On January 13, 2016 the IASB issued IFRS 16 "Leases" ("IFRS 16"). For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. The standard will come into effect for annual periods beginning on or after January 1, 2019 with earlier adoption permitted. The Company intends to adopt IFRS 16 in its financial statements for the annual periods beginning on January 1, 2019. The extent of the impact of the adoption of this standard has not yet been determined.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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 accounting policies, 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 financial statements as at and for the year ended December 31, 2017, except for those relating to the adoption of IFRS 9 and IFRS 15 described in note 3.

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

4(a) Significant judgements in applying newly adopted accounting policies

(i) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the table in note 3.

5. BUSINESS COMBINATIONS

5(a) 2017 Acquisitions

Effective June 6, 2017, the Company purchased producing assets, undeveloped lands and interests in various facilities in the Cardium area of Alberta, Canada. The transaction has been accounted for as a business combination under IFRS 3.

The fair value at June 6, 2017 of the total consideration transferred and the amounts recognized attributed to the assets acquired was as follows:

Consideration:	($'000s)
Cash consideration	**1,410**
Total Consideration	**1,410**

Recognized amounts of assets acquired and liabilities assumed:	
Prepaid expenses	**11**
Exploration and evaluation	**358**
Property, plant and equipment	**1,248**
Decommissioning obligation	**(207)**
Total identifiable net assets	**1,410**

Subsequent to the acquisition, the cash consideration was reduced by $0.2 million as a result of receipt of the final statement of adjustments relating to the acquisition, with a reduction in the recognized amounts of Prepaid expenses and Property, plant and equipment.

The fair value of the decommissioning obligation at June 6, 2017 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 were credit adjusted risk-free rates that ranged from 8.0% to 8.1%. At June 30, 2017 the decommissioning liability was revalued at risk-free rates ranging from 2.0% to 2.1%, resulting in incremental additions of $0.7 million of decommissioning obligation and corresponding additions to property, plant and equipment.

The acquired business contributed revenues consisting of oil and natural gas sales net of royalties of approximately $0.4 million and operating income, which is defined as oil and natural gas sales net of royalties less operating and transportation costs of $0.3 million to InPlay for the period from June 6, 2017 to December 31, 2017. Had the asset acquisition occurred on January 1, 2017, an additional pro-forma oil and natural gas sales net of royalties of approximately $0.7 million and operating income of $0.5 million would have been recognized over the year ended December 31, 2017.

5(b) 2018 Acquisitions

Effective February 15, 2018, the Company purchased producing assets, undeveloped lands and interests in various facilities in the Cardium area of Alberta, Canada. The transaction has been accounted for as a business combination under IFRS 3.

The fair value at February 15, 2018 of the total consideration transferred and the amounts recognized attributed to the assets acquired was as follows:

Consideration:	($'000s)
Cash consideration	**5,679**
Total Consideration	**5,679**

Recognized amounts of assets acquired and liabilities assumed:	
Exploration and evaluation	**1,253**
Property, plant and equipment	**5,763**
Decommissioning obligation	**(1,337)**
Total identifiable net assets	**5,679**

The fair value of the decommissioning obligation at February 15, 2018 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 8.0%. At March 31, 2018 the decommissioning liability was revalued at a risk-free rate of 2.2%, resulting in incremental additions of $3.4 million of decommissioning obligation and corresponding additions to property, plant and equipment.

The acquired business contributed revenues consisting of oil and natural gas sales net of royalties of approximately $0.4 million and operating income, which is defined as oil and natural gas sales net of royalties less operating and transportation costs, of $0.25 million to InPlay for the period from February 15, 2018 to June 30, 2018. Had the asset acquisition occurred on January 1, 2018, an additional pro-forma oil and natural gas sales net of royalties of approximately $0.1 million and operating income of $0.05 million would have been recognized over the six months ended June 30, 2018.

The Company also completed other insignificant acquisitions during the six months ended June 30, 2018.

The fair values of the identifiable assets and liabilities acquired as reported in the tables in note 5 were estimated based on information available at the time of preparation of the financial statements and could be subject to change.

6. PROPERTY, PLANT AND EQUIPMENT

Cost ($'000s)	**Oil & Natural Gas Assets**	**Other Equipment**	**Total**
Balance at December 31, 2016	358,607	389	358,996
Additions	33,136	129	33,265
Additions/revisions to decommissioning obligation	(1,781)	-	(1,781)
Acquisitions	904	-	904
Transfer from exploration and evaluation assets	57	-	57
Transfer to assets held for sale	(4,489)	-	(4,489)
Balance at December 31, 2017	386,434	518	386,952
Additions	19,975	10	19,985
Additions/revisions to decommissioning obligation	2,991	-	2,991
Acquisitions	5,856	-	5,856
Dispositions	(3,820)	-	(3,820)
Transfer from exploration and evaluation assets	7,218	-	7,218
Balance at June 30, 2018	**418,654**	**528**	**419,182**

Accumulated Depletion & Impairment ($'000s)	**Oil & Natural Gas Assets**	**Other Equipment**	**Total**
Balance at December 31, 2016	133,787	142	133,929
Impairment loss	6,052	-	6,052
Depletion and depreciation	22,479	72	22,551
Balance at December 31, 2017	162,318	214	162,532
Depletion and depreciation	12,727	35	12,762
Balance at June 30, 2018	**175,045**	**249**	**175,294**

Net book value ($'000s)	**Oil & Natural Gas Assets**	**Other Equipment**	**Total**
At December 31, 2017	224,116	304	224,420
At June 30, 2018	**243,609**	**279**	**243,888**

For the six months ended June 30, 2018, additions to property, plant and equipment included capitalized general and administrative expenses of $0.7 million (June 30, 2017: $0.7 million) and costs related to share-based compensation of $0.2 million (June 30, 2017: $0.4 million). Future development costs in the amount of $201 million were included in the depletion calculation for the three months ended June 30, 2018 (June 30, 2017 - $170 million).

At June 30, 2018 there were no indicators of impairment or impairment reversal.

During the six months ended June 30, 2018, the Company sold a processing facility and associated gather equipment and infrastructure assets for cash proceeds of $10 million prior to adjustments, recognizing a gain on dispositions of $2.7 million. At December 31, 2017, the Company classified these assets as held for sale. Immediately prior to classifying the assets as held for sale, the Company conducted a review of the assets' recoverable amounts based on expected consideration to be received and transferred these assets at their carrying amount, with no impairment or recovery recognized. As at December 31, 2017, the decommissioning obligation associated with these assets has also been classified as a liability relating to assets held for sale.

7. EXPLORATION AND EVALUATION

($'000s)	**June 30, 2018**	Dec. 31, 2017
Opening balance	**25,987**	11,599
Additions	**6,117**	2,408
Acquisitions related to Business Combinations	**1,253**	358
Acquisitions	**-**	14,315
Transfers to property, plant and equipment	**(7,218)**	(57)
Transfers to exploration and evaluation expense	**(79)**	(2,636)
Ending balance	**26,060**	25,987

8. BANK DEBT

During the three months ended June 30, 2018, the Company increased its syndicated senior secured revolving credit facility from $60 million to $75 million (the "**Credit Facility**"). The Credit Facility consists of a $65 million revolving line of credit and a $10 million operating line of credit. The Credit Facility has a term date of May 31, 2019, and if not extended, additional advances would not be permitted and any outstanding advances would become repayable one year later on May 31, 2020. The Credit Facility is secured by a floating charge debenture and a general security agreement on the assets of the Company. At June 30, 2018 the Company had drawn $51.6 million on the Credit Facility.

Under the credit agreement, advances can be drawn as prime rate loans and bear interest at the bank's prime lending rate plus interest rates between 0.50% and 2.50%. Advances may also be drawn as banker's acceptances, Libor loans, and letters of credit, subject to stamping fees and margins ranging from 1.50% to 3.50%. Standby fees are charged on the undrawn portion of the Credit Facility at rates ranging from 0.3375% to 0.7875%. These interest rates, fees and margins vary based on adjusted debt to earnings metrics determined at each quarter end for the preceding 12 months. There are standard reporting covenants under the Credit Facility, however there are no financial covenants. The Company was in compliance with these standard reporting covenants as at June 30, 2018.

During the six months ended June 30, 2018, an assignment agreement to the credit agreement was entered into (the "**Assignment Agreement**"), changing the Agent under the Credit Facility. No other changes were made to the Credit Facility as result of the Assignment Agreement.

The available lending limit of the Credit Facility is scheduled for semi-annual review on or before November 30, 2018 and is based on the Lenders' interpretation of the Company's reserves and future commodity prices. There can be no assurance that the amount or terms of the available Credit Facility will not be adjusted at the next review. In the event that the lenders reduced the 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 facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties.

9. DECOMMISSIONING OBLIGATION

($'000s)	**June 30, 2018**	Dec. 31, 2017
Opening balance	**67,158**	68,948
Provisions incurred	**408**	663
Acquired through Business Combinations	**1,337**	207
Provisions settled	**(915)**	(644)
Revaluation of liabilities acquired based on discount rate	**3,427**	718
Change in estimates	**(844)**	(3,162)
Accretion expense	**764**	1,480
Transfer to liabilities associated with assets held for sale	**-**	(1,052)
Ending balance	**71,335**	67,158
Expected to be incurred within one year	**492**	492
Expected to be incurred beyond one year	**70,843**	66,666

The estimated future cash out flows as at June 30, 2018 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 (Dec 31, 2017 – 2.0%) 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 2.1% to 2.2% depending on the estimated timing of the future settlement of the obligations (Dec 31, 2017 –1.9% to 2.3%). The total inflation adjusted undiscounted amount of estimated future cash flows required to settle the decommissioning obligation at June 30, 2018 was approximately $117.3 million (Dec 31, 2017 - $109.6 million).

At the date of the 2017 and 2018 business combination, the acquired decommissioning obligations were recognized at fair value which was estimated using a credit adjusted discount rate of 8.0%. 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'.

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.

10. INCOME TAX

The following table reconciles the income tax expense calculated using statutory tax rates to the deferred income tax expense per the statements of profit (loss) and comprehensive income (loss):

($'000s)	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
Profit before tax	**354**	768	**3,306**	2,321
Expected income tax rate	**27%**	27%	**27%**	27%
Expected income tax	**96**	207	**893**	627
Increase in income taxes resulting from:				
Non-taxable permanent differences – stock based comp.	**77**	94	**132**	214
Flow through share expenditure effect	**496**	-	**1,204**	-
Other	**11**	10	**13**	13
Deferred income tax expense	**680**	311	**2,242**	854

11. SHARE CAPITAL

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

	Number of Common Shares	**Amount ($'000s)**
Balance at December 31, 2016	62,396,169	226,541
Repurchase of shares	(342,600)	(1,249)
CEE Flow-through shares issued	3,173,050	5,711
CDE Flow-through shares issued	2,660,000	4,394
Flow-through share premium liability	-	(1,294)
Share issue costs	-	(146)
Balance at December 31, 2017 and June 30, 2018(1)	**67,886,619**	**233,957**

During the year ended December 31, 2017, 3,173,050 Canadian Exploration Expense ("CEE") flow-through common shares of InPlay and 2,660,000 Canadian Development Expense ("CDE") flow-through common shares of InPlay were issued. Proceeds of $10.1 million were raised and $1.3 million of this amount was recorded to as a Flow-through share premium. Following this offering, the Company has spent the $4.4 million in required CDE expenditures and $5.1 million of the required CEE expenditures by June 30, 2018, with the remaining $0.6 million in required CEE expenditures to be spent by December 31, 2018, reducing the Flow-through share liability to $0.1 million at June 30, 2018.

During the year ended December 31, 2017, 342,600 common shares were repurchased under a normal course issuer bid at an average cost of $1.53 per share for total consideration of $0.5 million. Contributed surplus was increased by $0.7 million during the year ended December 31, 2017 for the average carrying value of the shares repurchased in excess of their repurchase cost.

12. SHARE-BASED COMPENSATION

12(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, 2016	-	-	-
Granted during the period	4,955,400	3.83	1.97
Forfeited during the period	(90,000)	3.76	1.98
Outstanding at December 31, 2017	4,865,400	3.83	1.97
Granted during the period	1,519,200	4.77	1.39
Outstanding at June 30, 2018	**6,384,600**	**3.81**	**1.84**
Exercisable at June 30, 2018	**1,604,800**	**3.51**	**1.98**

12(b) Share-based compensation amounts recognized

Share-based compensation in the amount of $0.3 million and $0.5 million was recognized in the three and six months ended June 30, 2018 (three months ended June 30, 2017 - $0.3 million; six months ended June 30, 2017 - $0.8 million), in addition to $0.2 million (six months ended June 30, 2017 - $0.4 million) of capitalized stock based compensation recognized in the six months ended June 30, 2018, all with a corresponding credit to contributed surplus.

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
Risk free interest rate	1.92%	0.93%	1.92%	0.90%
Expected volatility	57%	57%	57%	58%
Expected life	3.5 years	3.5 years	3.5 years	3.5 years
Dividend yield	nil	nil	nil	nil
Expected forfeiture rate	nil	nil	nil	nil
Stock price on grant date	1.41	2.04	1.41	1.98
Fair value per option	$0.61	$0.85	$0.61	$0.83

13. PROFIT PER SHARE

($'000s, except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
Profit (loss) for the period	**(326)**	457	**1,064**	1,467
Weighted average basic number of shares	**67,886,619**	62,386,891	**67,886,619**	62,391,505
Weighted average diluted number of shares	**67,886,619**	62,386,891	**67,886,619**	62,391,505
Basic profit (loss) per share[1]	**0.00**	0.01	**0.02**	0.02
Diluted profit (loss) per share[1]	**0.00**	0.01	**0.02**	0.02

[1] A total of 6,384,600 options are excluded from the per share calculations as they are anti-dilutive. (June 30, 2017: 4,892,400 options).

14. REVENUE AND DERIVATIVE CONTRACTS

($'000s)	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
Oil sales	**18,491**	11,572	**35,430**	23,658
Natural gas sales	**812**	2,070	**2,334**	4,067
Natural gas liquids sales	**1,690**	942	**3,138**	2,008
Total	**20,993**	14,584	**40,902**	29,733
Changes in fair value of derivative contracts:				
Realized gain (loss) on derivative contracts	**(1,963)**	407	**(3,044)**	540
Unrealized gain (loss) derivative contracts	**126**	681	**(568)**	2,483
	(1,837)	1,088	**(3,612)**	3,023

15. GENERAL AND ADMINISTRATIVE EXPENSES

($'000s)	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
Gross general and administrative	**2,038**	1,739	**4,014**	3,462
Capitalized G&A and recoveries	**(430)**	(363)	**(784)**	(716)
General and administrative expense	**1,608**	1,376	**3,230**	2,746

16. FINANCE EXPENSE

($'000s)	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
Interest expense (Credit Facility and other)	**550**	309	**1,138**	625
Accretion on decommissioning obligation	**398**	331	**764**	670
Finance expense	**948**	640	**1,902**	1,295

17. SUPPLEMENTAL CASH FLOW INFORMATION

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

($'000s)	Three Months Ended June 30		Six Months Ended June 30	
Source (use) of cash:	**2018**	2017	**2018**	2017
Accounts receivable and accruals	**1,568**	2,796	**176**	1,308
Prepaid expenses, deposits, inventory and deferred lease credits	**(981)**	(477)	**(1,103)**	(619)
Accounts payable and accruals	**(1,764)**	(2,100)	**1,658**	(3,089)
	(1,177)	219	**731**	(2,400)
Relating to operating activities	**(290)**	511	**(161)**	414
Relating to financing activities	**-**	-	**-**	-
Relating to investing activities	**(887)**	(292)	**892**	(2,814)
	(1,177)	219	**731**	(2,400)

18. 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 the 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.

18(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 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. 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 the 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 shown in the statements of financial position as at June 30, 2018 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 volumes.

During the six month periods ended June 30, 2018 and June 30, 2017, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

18(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.

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 June 30, 2018 was $0.2 million (December 31, 2017 – $0.2 million).

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)	**June 30, 2018**	Dec. 31, 2017
Oil and natural gas customers	**7,115**	7,295
Joint operations partners	**1,247**	1,381
Accruals & Other	**667**	529
Total	**9,029**	9,205

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 June 30, 2018 and December 31, 2017, the Company's accounts receivable and accrued receivables, was aged as follows:

Aging ($'000s)	**June 30, 2018**	Dec. 31, 2017
0 – 30 days	**7,866**	7,869
31 – 90 days	**390**	812
Greater than 90 days	**992**	743
Expected credit loss	**(219)**	(219)
Total	**9,029**	9,205

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 June 30, 2018, $1.0 million (December 31, 2017 – $0.7 million) in accounts receivable was 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.

18(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 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 credit facility which is reviewed semi-annually by its lenders. This facility is described in note 8. 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 June 30, 2018:

($'000s)	Less than one year	One to two years
Non-derivative financial liabilities:		
Accounts payable and accrued liabilities	19,422	-
Bank debt – principal[1]	-	51,566
Bank debt – interest[2]	2,256	2,068
Total	21,678	53,634

(1) Assumes the Credit Facility is not renewed on May 31, 2019, whereby outstanding balances become due one year later on May 31, 2020.

(2) Assumes interest is incurred on bank debt outstanding at June 30, 2018 at the Company's effective interest rate during the current quarter and the principal balance is repaid on May 31, 2020.

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

($'000s)	June 30, 2018	Dec. 31, 2017
Trade payables[3]	**11,401**	8,681
Joint operations partners	**1,896**	1,108
Accruals[4]	**6,125**	7,975
Total	**19,422**	17,764

(3) Includes all accounts payable 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.

18(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 June 30, 2018 and December 31, 2017.

(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.

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 June 30, 2018 the following commodity-based derivative contracts were outstanding and recorded at estimated fair value:

Type of contract: costless collar [1] (crude oil pricing WTI):

Currency denomination	Volume (bpd)	Sold call price	Sold put price	Term	Fair value ($'000 CAD)
US dollar	300	48.00/bbl	57.00/bbl	Nov 1, 2017 – Dec 31, 2018	($1,007)

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

Type of contract: three-way collar [2] (crude oil pricing WTI):

Currency denomination	Volume (bpd)	Bought put price	Sold call price	Sold put price	Term	Fair value ($'000 CAD)
US dollar	300	42.00/bbl	50.00/bbl	64.35/bbl	Jan 1, 2018 – Dec 31, 2018	($543)
US dollar	250	42.00/bbl	50.00/bbl	65.10/bbl	April 1, 2018 – March 31, 2019	($596)

(2) The WTI three-way collars are a combination of a sold call, bought put and a sold put. The sold put price is the maximum the Company will receive for the contract volumes. The sold call price is the minimum price InPlay will receive, unless the market price falls below the bought put strike price.

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 June 30, 2018, the Company estimates that it would pay $2.1 million to terminate these contracts.

The fair value of the financial commodity risk management contracts have been allocate as follows:

($'000s)	**June 30, 2018**	Dec. 31, 2017
Current asset	**-**	-
Current liability	**(2,146)**	(1,578)
Net (liability) position	**(2,146)**	(1,578)

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 $1.0 million and increase the fair value of derivative contracts by $0.9 million respectively as at June 30, 2018.

(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 $0.1 million for the three months ended June 30, 2018 (June 30, 2017 - $0.1 million).

18(e) Capital management

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility which would allow InPlay 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 June 30, 2018, InPlay's capital structure includes shareholders' equity, credit facility and adjusted 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)	**June 30, 2018**	Dec. 31, 2017
Current liabilities	**22,161**	21,006
Current assets	**12,372**	11,386
Working capital deficiency	**9,789**	9,620
Derivative contract (liability)	**(2,146)**	(1,578)
Deferred lease payments	**-**	(11)
Decommissioning obligation	**(492)**	(492)
Flow-through share premium	**(101)**	(1,161)
Adjusted working capital deficiency	**7,050**	6,378
Credit Facility	**51,566**	44,888
Net debt	**58,616**	51,266
Shareholders' equity	**191,959**	190,181
Total capitalization	**250,575**	241,447

19. RELATED PARTY TRANSACTIONS

InPlay had no related party transactions that were entered into under the normal course of business for the six months ended June 30, 2018 or June 30, 2017.

20. COMMITMENTS

20(a) Capital commitments

As at June 30, 2018, the Company had $0.6 million remaining of its commitment to incur qualifying exploration expenditures related to the $5.7 million raised from the issuance of flow-through shares during the year ended December 31, 2017.

20(b) Operating lease commitments

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

($'000s)	2018	2019
Office lease payments[1]	326	34

[1] Both parties are entitled to terminate the lease agreement at any point after January 31, 2019 provided six months' notice is provided to the other party. This commitment table above assumes that this termination will occur on February 1, 2019.

20(c) 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)	2018	2019	2020	2021	Thereafter
Firm service commitment	192	322	158	61	197