Financial Statements

For the 3 months ended March 31, 2017

Statements of Financial Position

AS AT MARCH 31

(Thousands of dollars)	Note	March 31, 2017	Dec. 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		**116**	100
Accounts receivable and accrued receivables	19	**9,944**	8,456
Prepaid expenses and deposits		**2,228**	2,119
Derivative contracts	19	**253**	-
Total current assets		**12,541**	10,675
Property, plant and equipment	5, 6	**229,936**	225,067
Exploration and evaluation	7	**11,528**	11,599
Deferred tax		**55,607**	56,149
Total assets		**309,612**	303,490
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Deferred lease credits		**108**	129
Accounts payable and accrued liabilities	19	**14,488**	15,476
Flow-through share premium	11	**244**	244
Derivative contracts	19	**-**	1,549
Total current liabilities		**14,840**	17,398
Deferred lease credits		**-**	11
Bank debt	8	**35,787**	29,755
Decommissioning obligation	9	**70,020**	68,948
Total long term liabilities		**105,807**	98,714
Total liabilities		**120,647**	116,112
Shareholders' equity			
Share capital	11	**226,541**	226,541
Contributed surplus	12	**10,455**	9,878
Deficit		**(48,031)**	(49,041)
		188,965	187,378
Total liabilities and shareholders' equity		**309,612**	303,490

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

(signed) "Doug Bartole"

Doug Bartole

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

FOR THE THREE MONTHS ENDED MARCH 31,

(Thousands of dollars, except per share amounts)	Note	**2017**	2016
Oil and natural gas sales	14	**15,149**	5,213
Royalties		**(1,583)**	(497)
Revenue		**13,566**	4,716
Gain (loss) on derivative contracts	14	**1,935**	701
		15,501	5,417
Operating expenses		**5,364**	2,601
Transportation expenses		**261**	165
Exploration and evaluation expenses	7	**98**	15
General and administrative expenses	16	**1,370**	869
Share-based compensation expenses	12	**445**	1,114
Transaction & integration costs	15	**290**	-
Depletion and depreciation	6	**5,464**	3,628
Finance expenses	17	**657**	482
		13,949	8,874
Profit (loss) before tax		**1,552**	(3,457)
Deferred income tax expense/(recovery)	10	**542**	(627)
Profit (loss) and comprehensive income (loss)		**1,010**	(2,830)
PROFIT (LOSS) PER COMMON SHARE			
Basic and diluted	13	**0.02**	(0.23)

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

Statements of Changes in Equity

(Thousands of dollars)	Note	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Balance at December 31, 2015		118,262	7,480	(69,060)	56,682
Share-based compensation	12	-	1,195	-	1,195
Profit (loss) for the period		-	-	(2,829)	(2,829)
Balance at March 31, 2016		118,262	8,675	(71,889)	55,048
Issuance of share capital	11	**109,859**	**-**	**-**	**109,859**
Share-issue costs, net of deferred tax		**(1,580)**	**-**	**-**	**(1,580)**
Share-based compensation	12	**-**	**1,203**	**-**	**1,203**
Profit (loss) for the year				**22,848**	**22,848**
Balance at December 31, 2016		**226,541**	**9,878**	**(49,041)**	**187,378**
Share-based compensation	12	**-**	**577**	**-**	**577**
Profit (loss) for the year				**1,010**	**1,010**
Balance at March 31, 2017		**226,541**	**10,455**	**(48,031)**	**188,965**

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

Statements of Cash Flows

FOR THE THREE MONTHS ENDED MARCH 31,

(Thousands of dollars)	Note	2017	2016
Cash flows provided by (used in):			
OPERATING ACTIVITIES			
Profit (loss) for the year		1,010	(2,830)
Adjustments			
Depletion and depreciation	6	5,464	3,628
Unrealized loss (gain) on derivative contract	14	(1,802)	1,536
Accretion on decommissioning obligation	9	339	92
Share-based compensation expense	12	445	1,114
Exploration expense	7	98	15
Deferred income tax (recovery)	10	542	(627)
Funds flow from operations		6,096	2,928
Net change in non-cash working capital	18	(96)	135
Net cash flow provided by operating activities		6,000	3,063
FINANCING ACTIVITIES			
Increase in bank debt	8	6,032	(849)
Net cash flow provided by financing activities		12,032	2,214
INVESTING ACTIVITIES			
Property Plant & Equipment	6	(9,468)	(2,995)
Exploration and evaluation assets	7	(27)	(4)
Net change in non-cash working capital	18	(2,521)	785
Net cash flow (used in) investing activities		(12,016)	(2,214)
Increase (decrease) in cash and cash equivalents		16	-
Cash and cash equivalents, beginning of the period		100	-
Cash and cash equivalents, end of the period		**116**	-
Interest paid in cash		**318**	390

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

Notes to the Financial Statements

MARCH 31, 2017 AND MARCH 31, 2016

(Tabular amounts in thousands of 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 S.W. 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 the InPlay common shares commenced trading on the TSX in substitution of the 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 consolidated interim financial statements should be read in conjunction with the audited consolidated annual financial statements as at and for the year ended December 31, 2016.

The financial statements were approved and authorized for issuance by the Board of Directors on May 12, 2017.

In preparing these condensed 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, 2016.

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 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, 2016.

There were no new or amended accounting policies adopted during the year ended December 31, 2016 that had a material impact on the determination of financial position or profit or loss.

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 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, 2016.

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.

5. BUSINESS COMBINATIONS

On November 7, 2016, InPlay completed the Arrangement that included a reverse acquisition of Anderson, a publicly-traded company with an oil and gas production business in Alberta, Canada. See notes 1, 6 and 11. In connection with the Arrangement, InPlay also completed an issue of common shares for proceeds of $70.3 million and an asset acquisition of oil and natural gas properties for a purchase price of $47 million prior to purchase price adjustments (the "**Asset Acquisition**"). See notes 6 and 11.

5(a) 2016 Arrangement

As part of the Arrangement, Anderson's 17,771,472 outstanding common shares were effectively converted into InPlay common shares at an exchange ratio of one for one. As a part of the Arrangement, Anderson was amalgamated with Prior InPlay to form InPlay. The former shareholders of Prior InPlay owned 72% of the outstanding common shares of InPlay, and the management and board of directors of Prior InPlay became the management and board of directors of InPlay, thereby obtaining control of Anderson. The reverse acquisition of Anderson by InPlay has been accounted for as a business combination under IFRS 3.

InPlay completed the Arrangement with Anderson to expand InPlay's asset base with producing assets and interests in facilities in the Cardium assets as well as undeveloped lands in Pembina and other areas in Alberta that were complementary to those of InPlay. The transaction also enabled InPlay to become a publicly traded entity on the Toronto Stock Exchange.

The fair value at November 7, 2016 of the total consideration transferred and the amounts recognized attributed to the assets and liabilities acquired was as follows:

Consideration:	**($'000s)**
Share consideration	**35,543**
Total Consideration	**35,543**

Recognized amounts of assets acquired and liabilities assumed	
Cash	**2,459**
Accounts receivable and accrued receivables	**3,268**
Prepaid expenses	**1,076**
Exploration and Evaluation Assets	**5,410**
Property, plant and equipment	**45,332**
Deferred tax asset (liability)	**37,589**
Accounts payable and accrued liabilities	**(4,472)**
Decommissioning obligation	**(13,743)**
Total identifiable net assets	**76,919**
Gain on acquisition	**(41,376)**
	35,543

The fair value of the 17,771,472 common shares of InPlay effectively issued to the former shareholders of Anderson in exchange for the Anderson common shares outstanding immediately prior to the completion of the Arrangement on a one-for-one basis was $2.00 per common share, or $35.5 million, based on Anderson's closing price quoted on the TSX on November 7, 2016, the date of closing of the Arrangement. See note 11.

A gain on acquisition was recorded with this business combination as a result of the deferred tax asset on acquisition being recorded at book value rather than fair value in addition to the fact that final consideration is based upon a lower share price at closing compared to the price contemplated at the time the deal was negotiated.

The fair value of accounts receivable is $3.3 million which consists of trade receivables arising from the sale of oil and natural gas production and billings related to joint operations activities. The gross contractual amount for trade receivables is $3.7 million, of which $0.4 million is expected to be uncollectible.

The fair value of the decommissioning obligation at November 7, 2016 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 7.5% to 8.4%. At December 31, 2016 the decommissioning liability was revalued at risk-free rates ranging from 1.4% to 2.3%, resulting in incremental additions of $17.4 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 $2.3 million and operating income which is defined as oil and natural gas sales net of royalties less operating and transportation costs of $1.6 million to InPlay for the period from November 7, 2016 to December 31, 2016. Had the Arrangement occurred on January 1, 2016, additional pro-forma oil and natural gas sales net of royalties of $11.2 million and operating income of $5.4 million would have been recognized over the year ended December 31, 2016.

5(b) 2016 Asset Acquisition

The Asset Acquisition involved the purchase of producing assets, undeveloped lands and interests in various facilities in the Pembina area of Alberta, Canada. The Asset Acquisition is a business combination and has been accounted for using the purchase method of accounting.

The fair value at November 7, 2016 of the total consideration transferred and the amounts recognized attributed to the assets acquired was as follows:

Consideration:	**($'000s)**
Cash consideration	**41,765**
Share consideration	**4,347**
Total Consideration	**46,112**

Recognized amounts of assets acquired and liabilities assumed	
Accounts receivable and accrued receivables	**470**
Prepaid expenses	**191**
Exploration and Evaluation assets	**1,457**
Property, plant and equipment	**47,832**
Decommissioning obligation	**(3,838)**
Total identifiable net assets	**46,112**

The fair value of the 2,171,667 common shares of InPlay, which were the 16,666,666 "Prior InPlay" common shares converted at the 0.1303 exchange ratio under the Arrangement, issued as partial consideration for the purchase of assets was $2.00 per common share, or $4.3 million. This price was based on Anderson's closing price quoted on the TSX on November 7, 2016, the date of closing of the Arrangement. See note 11.

The fair value of the decommissioning obligation at November 7, 2016 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 8.3%. At December 31, 2016 the decommissioning liability was revalued at risk-free rates ranging from 2.0% to 2.3%, resulting in incremental additions of $12.6 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 $1.8 million and operating income which is defined as oil and natural gas sales net of royalties less operating and transportation costs of $0.6 million to InPlay for the from period November 7, 2016 to December 31, 2016. Had the Corporate Acquisition occurred on January 1, 2016, an additional pro-forma oil and natural gas sales net of royalties of $9.0 million and operating income of $3.9 million would have been recognized over the year ended December 31, 2016.

The fair values of the of identifiable assets and liabilities acquired as reported in the tables above 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, 2015	226,127	338	226,464
Additions	11,102	51	11,154
Additions/revisions to decommissioning obligation	28,156	-	28,156
Acquisitions	93,165	-	93,165
Transfer from exploration and evaluation assets	57	-	57
Balance at December 31, 2016	358,607	389	358,996
Additions	9,537	63	9,600
Additions/revisions to decommissioning obligation	733	-	733
Balance at March 31, 2017	**368,877**	**452**	**369,329**

Accumulated Depletion & Impairment ($'000s)	Oil & Natural Gas Assets	Other Equipment	Total
Balance at December 31, 2015	107,956	86	108,042
Impairment loss (note 7)	12,162	-	12,162
Depletion and depreciation	13,669	56	13,725
Balance at December 31, 2016	133,787	142	133,929
Depletion and depreciation	5,451	13	5,464
Balance at March 31, 2017	**139,238**	**155**	**139,393**

Total ($'000s)	Oil & Natural Gas Assets	Other Equipment	Total
At December 31, 2016	224,820	247	225,067
At March 31, 2017	**229,639**	**297**	**229,936**

For the three months ended March 31, 2017, additions to property, plant and equipment included capitalized G&A of $0.3 million (March 31, 2016: $0.2 million) and costs related to share-based compensation of $0.1 million (March 31, 2016: $0.1 million). Future development costs in the amount of $178 million (2016 -$77 million) was included in the depletion calculation.

At March 31, 2017 there were no indicators of impairment.

7. EXPLORATION AND EVALUATION

($'000s)	**March 31, 2017**	December 31, 2016
Balance at January 1	**11,599**	5,716
Additions	**27**	471
Acquisitions	**-**	6,867
Transfers to property, plant and equipment	**-**	(57)
Transfers to exploration and evaluation expense	**(98)**	(1,398)
Ending balance	**11,528**	11,599

8. BANK DEBT

At March 31, 2017, the Company has a $60.0 million senior secured revolving credit facility (the "**Credit Facility**") with a syndicate of Canadian financial institutions (the "**Lenders**"). The Credit Facility consists of a $50 million revolving line of credit and a $10 million operating line of credit. The Credit Facility has a term date of May 30, 2017, and if not extended, additional advances would not be permitted and any outstanding advances would become repayable one year later on May 31, 2018. The Credit Facility is secured by a floating charge debenture and a general security agreement on the assets of the Company. At March 31, 2017 the Company had drawn $35.8 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 1.00% and 3.25%. Advances may also be drawn as banker's acceptances, Libor loans, and letters of credit, subject to stamping fees and margins ranging from 2.00% to 4.25%. Standby fees are charged on the undrawn portion of the Credit Facility at rates ranging from 0.50% to 1.0625%. 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. Prior to this Credit Facility, up to Nov 7, 2016 Prior InPlay had in place a $60 million senior secured demand credit facility which was paid out in full at closing in conjunction with the closing of the Nov 7, 2016 financing, asset acquisition and Arrangement.

The extension renewal for May 30, 2017 is currently in progress with the banking syndicate 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.

9. DECOMMISSIONING OBLIGATION

($'000s)	**March 31, 2017**	December 31, 2016
Balance at January 1	**68,948**	22,763
Provisions incurred	**329**	457
Acquired through Business Combinations	**-**	17,581
Provisions settled	**-**	(119)
Revaluation of liabilities acquired based on discount rate	**-**	30,061
Change in estimates	**404**	(2,361)
Accretion expense	**339**	566
Ending balance	**70,020**	68,948

The estimated future cash out flows as at March 31, 2017 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 (2016 – 2.0%) until settlement of the obligations, which is assumed to occur over the next 7 to 50 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 1.3% to 2.3% depending on the estimated timing of the future settlement of the obligations (2016 –1.4% to 2.3%). The total inflation adjusted undiscounted amount of estimated future cash flows required to settle the decommissioning obligation at March 31, 2017 was approximately $113.1 million (Dec 31, 2016 - $112.6 million).

At the date of business acquisitions, the acquired decommissioning liabilities were recognized at fair value which was estimated using credit adjusted discount rates of 7.4% to 8.3%, and the change in the estimated present value using risk-free discount rates is included in the amounts noted in the above table as change in discount rate.

There are material uncertainties about the amount and timing of the decommissioning obligation 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 (recovery) calculated using the statutory tax rates to the income tax expense per the statement of profit (loss) and comprehensive income (loss):

($'000s)	**March 31, 2017**	March 31, 2016
Profit (loss) before tax	**1,552**	(3,457)
Expected income tax rate	**27%**	27%
Expected income tax (recovery)	**419**	(933)
Increase in income taxes resulting from:		
Nontaxable permanent differences – stock based comp	**120**	301
Other	**3**	5
Deferred Income tax expense (recovery)	**542**	(627)

11. SHARE CAPITAL

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

	Number of Common Shares[(1)]	Amount ($'000s)
Balance at December 31, 2015	12,063,110	118,262
Issued in exchange for the Asset Acquisition	2,171,667	4,347
Issued for cash	28,887,516	66,510
CEE Flow-through shares issued	635,642	1,708
CDE Flow-through shares issued	866,762	2,128
Flow-through share premium liability	-	(377)
Issued under the Anderson Arrangement	17,771,472	35,543
Share issue costs	-	(1,580)
Balance at December 31, 2016 & March 31, 2017	**62,396,169**	**226,541**

(1) The number of common shares have been adjusted retrospectively to reflect the InPlay Exchange Ratio.

In connection with the Arrangement (see notes 1 and 5), Prior InPlay completed a private placement of common shares for proceeds of $0.4 million (195,015 common shares) and a subscription receipt financing for aggregate gross proceeds of approximately $69.9 million (the "**InPlay Financing**"). The private placement for $0.4 million was issued to insiders and management of InPlay in conjunction with the Arrangement. The outstanding common shares of Prior InPlay ("**Prior InPlay Shares**") and subscription receipts ("**Prior InPlay Subscription Receipts**") issued under the InPlay Financing were, through a series of steps under the Arrangement, exchanged for common shares of InPlay ("**InPlay Shares**") on the basis of 0.1303 of an InPlay Share for each one (1) Prior InPlay Share and each one (1) Prior InPlay Subscription Receipt previously held (the "**InPlay Exchange Ratio**"). Holders of Anderson common shares continued to hold one (1) InPlay Share for each one (1) Anderson common share held prior to completion of the Arrangement without any action on their part. The number of commons shares for all periods shown above were adjusted retrospectively to reflect the InPlay Exchange Ratio.

Also connected with the Arrangement, the Company issued 2.171 million InPlay common shares (reflecting the InPlay Exchange Ratio) having a deemed value of $4.3 million as partial consideration for the Asset Acquisition. See note 5.

As a part of the above noted financing 1,502,405 Subscription Receipts were also issued to be converted into flow-through common shares upon completion of the Arrangement. Following the conversion of these Subscription Receipts, 635,642 Canadian Exploration Expense ("CEE") flow-through common shares of InPlay were issued and 866,762 Canadian Development Expense ("CDE") flow-through common shares of InPlay were issued. Proceeds of $3,836,000 were raised and $377,000 of this amount was recorded to Flow-through share premium liability. Following this offering, the Company has spent the required $2,128,000 million in required CDE expenditures by December 31, 2016 and the $1,707,000 in CEE expenditures will be spent in 2017.

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. All options of Prior InPlay were surrendered for cancellation in conjunction with the completion of the Arrangement. Following the completion of the Arrangement, new options were issued in the first quarter of 2017.

	Number of options	Weighted average remaining life (years)	Weighted average exercise price
Balance at December 31, 2014 and 2015[(1)]	927,215	4.5	9.59
Cancelled during the year[(1)]	**(927,215)**	**3.5**	**9.59**
Balance at December 31, 2016	**-**	**-**	**-**
Granted during the period	4,889,400	4.75	1.98
Forfeited during the period	(12,000)	4.75	1.98
Balance at March 31, 2017	**4,877,400**	**4.75**	**1.98**

(1) The number of options and weighted average exercise price for all options issued in Prior InPlay up to December 31, 2016 have been adjusted retrospectively to reflect the InPlay Exchange Ratio. See note 11.

12(b) Performance Warrants

Prior InPlay had an incentive plan pursuant to which performance warrants were granted to officers, directors, employees and service providers of the Company. All performance warrants were surrendered for cancellation in conjunction with the completion of the Arrangement.

	Number of warrants[(2)]	Weighted average exercise price[(2)]
Balance at December 31, 2014 and 2015	2,045,059	19.19
Cancelled during the year	**(2,045,059)**	19.19
Balance at December 31, 2016	**-**	**-**

(2) The number of performance warrants and weighted average exercise price for all years have been adjusted retrospectively to reflect the InPlay Exchange Ratio. See note 11.

12(c) Share-based compensation amounts recognized

Stock Based Compensation in the amount of $0.4 million (2016 - $1.1 million) is recognized in the first quarter of 2017 in addition to $0.1 million (2016 - $0.1 million) of capitalized stock based compensation was recognized all with a corresponding credit to contributed surplus.

The fair value of each stock option granted in the first quarter of 2017 is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk free interest rate	0.90 %
Expected Volatility	58%
Expected Life	3.5 years
Dividend Yield	nil
Expected Forfeiture rate	nil
Stock price on grant date	$1.98
Fair Value per option	$0.83

13. PROFIT (LOSS) PER SHARE

($'000s except per share amounts)	March **31, 2017**	March 31, 2016[(1)]
Profit (loss) for the period	**1,010**	(2,830)
Weighted average basic number of common shares	**62,396,163**	12,063,110
Weighted average diluted number of common shares[(2)]	**62,396,163**	12,063,110
Per share profit (loss) – basic	**0.02**	(0.23)
Per share profit (loss) – diluted[(2)]	**0.02**	(0.23)

(1) The weighted average number of common shares and calculation of basic and diluted earnings (loss) per share for all periods presented have been adjusted retrospectively to reflect the InPlay Exchange Ratio. See note 11.

(2) A total of 4,877,400 options are excluded from the per share calculations as they are anti-dilutive. (2016: 7,116,000 options & 15,695,000 performance warrants).

14. REVENUE AND DERIVATIVE CONTRACTS

($'000s)	March 31, 2017	March 31, 2016
Oil sales	**12,086**	4,711
Natural Gas sales	**1,996**	347
Natural Gas Liquid sales	**1,067**	155
Total	**15,149**	5,213
Changes in fair value of derivative contracts:		
Realized gain on derivative contracts	**133**	2,237
Unrealized gain (loss) on derivative contracts	**1,802**	(1,536)
	1,935	701

15. TRANSACTION & INTEGRATION COSTS

For the three months ended March 31, 2017 $0.3 million of transaction costs were incurred (March 31, 2016 - $nil) for transitional and advisory fees associated with the Arrangement and Asset Acquisition.

16. GENERAL AND ADMINISTRATIVE EXPENSES

($'000s)	March 31, 2017	March 31, 2016
Gross general and administrative	**1,723**	1,105
Capitalized and recoveries	**(353)**	(236)
Total general and administrative expense	**1,370**	869

17. FINANCE EXPENSE

($'000s)	March 31, 2017	March 31, 2016
Interest expense on Credit Facility	**318**	390
Accretion expense on decommissioning obligation	**339**	92
Finance expense	**657**	482

18. SUPPLEMENTAL CASH FLOW INFORMATION

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

($'000s)	March 31, 2017	March 31, 2016
Source (use) of cash		
Accounts receivable and accruals	**(1,487)**	(67)
Prepaid expenses, deposits and deferred lease credits	**(140)**	277
Accounts payable and accruals	**(990)**	710
	(2,617)	920
Related to operating activities	**(96)**	135
Related to financing activities	**-**	-
Related to investing activities	**(2,521)**	785

19. 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.

19(a) Fair value of financial instruments

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

The carrying amounts for cash and cash equivalents, accounts receivable and accrued receivables, deposits, 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 balance sheet date.

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable 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 instrument in included in level 3.

The fair values of the derivative contracts used for risk management as shown in the statements of financial position as at March 31, 2017 was 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 periods ended March 31, 2017 and 2016, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

19(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 within a one month following 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 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 allowance for doubtful accounts as at March 31, 2017 was $0.2 million (December 31, 2016 – $0.4). This allowance was associated with the Corporate Acquisition and relates to either industry counterparties with financial solvency issues or potential joint interest billing disputes. See note 5.

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 allowance for doubtful accounts at the reporting date by type of customer was:

	Carrying Amount	
($'000s)	**March 31, 2017**	December 31, 2016
Oil and natural gas customers	**5,564**	4,672
Joint operations partners	**2,080**	1,084
Financial institution – derivative contract settlement	**-**	-
Accruals & Other	**2,300**	2,700
	9,944	8,456

As of March 31, 2017 and December 31, 2016, the Company's accounts receivable and accruals, net of allowance for doubtful accounts was aged as follows:

Aging **($'000s)**	**March 31, 2017**	December 31, 2016
0 – 30 days	**6,449**	7,403
30- 90 days	**1,405**	437
Greater than 90 days	**2,090**	616
Total	**9,944**	8,456

The Company considers amounts greater than 90 days 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, 2017 $2.1 million (December 31, 2015 – $0.6 million) in receivables were over 90 days due and considered past due. The $2.1 million greater than 90 days includes $0.8 million related to the interim statement of adjustments from the Asset Acquisition which will be settled with the receipt of the final statement of adjustments in the second quarter of 2017. The $2.1 million also includes $0.6 million of GST receivable related to the Asset Acquisition which was collected following the close of the first quarter 2017. Of the $2.1 million $0.2 million had an allowance for doubtful accounts set up.

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.

19(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. These facilities are 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 March 31, 2017:

Financial Liabilities **($'000s)**	Less than one year	One to two years
Non-derivative financial liabilities		
Accounts payable and accruals	**14,488**	-
Bank loans – principal & interest (1)	**35,991**	1,242
Total	**50,479**	1,242

(1) Assumes the credit facilities are not renewed on May 30, 2017, whereby outstanding balances become due one year later on May 30, 2018.

The following table shows the Company's accounts payable and accruals:

	Carrying Amount	
($'000s)	**March 31, 2017**	December 31, 2016
Trade payables (1)	**7,262**	8,735
Joint operations partners	**2,501**	1,117
Accruals (2)	**4,725**	5,624
	14,488	15,476

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

(2) 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.

19 (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, 2017 and December 31, 2016.

(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 March 31, 2017 the following commodity-based derivative contracts were outstanding and recorded at estimated fair value:

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

Currency denomination	Volume (GJ/day)	Average swap price	Term ending	Fair value ($'000 CAD)
Canadian dollar	1,000	3.055/GJ	March 31, 2018	$110
Canadian dollar	2,000	2.51 /GJ	Oct 31, 2017	($35)

Type of contract: swap (crude oil pricing WTI):

Currency denomination	Volume (bpd)	Average swap price	Term ending	Fair value ($'000 CAD)
US dollar	500	53.65/bbl	June 30, 2017	$151

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

Currency denomination	Volume (bpd)	Sold call price	Sold put price	End date of Contract	Fair value ($'000 CAD)
Canadian dollar	200	55.00/bbl	73.65/bbl	December 31, 2017	($73)
Canadian dollar	200	55.00/bbl	74.00/bbl	December 31, 2017	($68)
US dollar	200	47.50/bbl	57.80/bbl	December 31, 2017	$38
US dollar	500	47.00/bbl	59.60/bbl	December 31, 2017	$130

(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.

The estimated fair value of the financial option contracts has been determined on the amounts the Company would receive or pay to terminate the contracts. At March 31, 2017, the Company estimates that it would receive $0.3 million to terminate these contracts.

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

($'000s)	**March 31, 2017**	December 31, 2016
Current asset	**253**	-
Current liability	**-**	(1,549)
Net asset (liability) position	**253**	(1,549)

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 $1.2 million and increase the fair value of derivative contracts by $1.2 million respectively as at March 31, 2017.

Subsequent to first quarter of 2017 the Company entered into another natural gas derivative contract as follows:

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

Currency denomination	Volume (GJ/day)	Average swap price	Term
Canadian dollar	1,000	2.95/GJ	May 2017 – March 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 over the first quarter of 2017 (2016 - $0.1 million).

19(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, 2017, 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)	March 31, 2017	December 31, 2016
Current liabilities	**14,840**	17,398
Current assets	**(12,541)**	(10,675)
Working capital deficiency	**2,299**	6,723
Derivative contract	**253**	(1,549)
Deferred lease payments	**(108)**	(129)
Flow-through Share premium	**(244)**	(244)
Current portion of credit facility	**-**	-
Adjusted working capital deficiency	**2,200**	4,801
Credit Facility	**35,787**	29,755
Net debt	**37,987**	34,556
Shareholders' equity	**188,965**	187,378
Total capitalization	**226,952**	222,934

20. RELATED PARTY TRANSACTIONS

InPlay had no related party transactions that were entered into under the normal course of business for the three months ended March 31, 2017. For the three months ended March 31, 2016, a director of the Company is an executive officer of a corporation to which the Company made office lease payments in the amount of $0.1 million during the three months ended March 31, 2016. The lease term ended in November 2016 and no amounts were outstanding as of December 31, 2016.

21. COMMITMENTS

21(a) Capital commitments

At March 31, 2017, the Company had commitments for future capital expenditures of $0.2 million related to the drilling program underway at quarter end that are expected to be incurred starting in the second quarter of 2017. As at March 31, 2017, the Company had $1.7 million remaining of its commitment to incur qualifying exploration and development expenditures related to the $3.8 million raised from the issuance of flow-through shares in conjunction with the closing of the Arrangement.

21(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) except as noted	2017	2018
Office lease payments(1)	838	310

(1) Net of sublease income for 2017 of $82,000.

21(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) except as noted	2017	2018	2019	2020	Thereafter
Firm service commitment	337	276	74	38	18