InPlay Oil Corp. Announces 2022 Capital Budget Highlighting Record Financial and Operational Guidance

January 12, 2022 - Calgary Alberta – InPlay Oil Corp. (TSX: IPO) (OTCQX: IPOOF) ("InPlay" or the "Company") is pleased to announce that its Board of Directors has approved a $58 million capital program for 2022 which is forecasted to deliver 2022 average production of 8,900 – 9,400 boe/d(1) (62% - 63% light oil and liquids).

InPlay enters 2022 in the strongest position in the Company's history following a highly successful 2021, which saw the Company achieve record levels of annual production, adjusted funds flow ("AFF") and free adjusted funds flow ("FAFF")(2) while also exiting the year at its lowest ever net debt to earnings before interest, taxes and depletion ("EBITDA")(2) level. On November 30, 2021 InPlay completed the highly accretive acquisition of Prairie Storm Resources Corp., further expanding our position in the Cardium. Based on continued strong drilling results and the positive outlook for commodity prices, InPlay is well positioned to deliver continued strong operational and financial results in the upcoming year.

2022 Capital Program Overview

The Company's Board of Directors has approved a capital program for 2022 of $58 million. Given InPlay owns significant infrastructure, over 93% of the capital program is dedicated to growing production through drilling, completion, equipping and optimization expenditures. The 2022 capital program will see InPlay drill the most Cardium Extended Reach Horizontal ("ERH") wells in our history. The 2022 capital program consists of drilling approximately 17.0 net Cardium wells, with a roughly even allocation of capital between our core Pembina and Willesden Green areas, focused predominantly on ERH wells. The first quarter of 2022 is expected to be our most active quarter to date with plans to drill six gross (4.9 net) ERH wells with three (3.0 net) in Pembina, two (1.7 net) on our recently acquired Prairie Storm lands in Willesden Green and one (0.2 net) ERH non-operated well. The Company also plans to complete, equip, and tie-in the two (1.6 net) ERH wells that were drilled in December 2021 on the Prairie Storm lands. The capital program incorporates approximately 8% cost inflation associated with higher services and tangibles costs anticipated due to an increase in industry activity relative to 2021. InPlay would have experienced even greater cost pressure, however we proactively mitigated the price increase in steel casing by acquiring the majority of our H1 2022 requirements in the third quarter of 2021 when prices were 30% - 35% below current levels.

InPlay's 2022 capital program is forecasted to deliver(3):

- Annual average production of 8,900 to 9,400 boe/d (62% - 63% light oil & liquids), delivering annual production growth of approximately 55% to 63% over 2021. On a debt adjusted basis, production growth per weighted average basic share(2) is forecast to be approximately 76% to 86% over 2021 which is expected to be top-tier per share growth amongst InPlay's light oil weighted peers;
- AFF of $111.0 to $117.0 million, approximately 118% to 129% higher on an absolute basis and 76% to 86% higher per weighted average basic share compared to previous 2021 AFF guidance;
- FAFF of $53.5 to $59.5 million, initially used for debt reduction which will significantly improve InPlay's leverage metrics and long term sustainability;
- Net debt to EBITDA of 0.2x to 0.3x with forecasted year end net debt between $22.0 to $28.0 million which represents a 68% decrease from previous 2021 year end net debt guidance. At a stress test pricing level averaging $50 USD WTI over the entire year in 2022, the Company estimates 2022 net debt to EBITDA would remain below 1.0x; and
- Record operating income profit margin(2) of approximately 68%.

The Company's 2022 guidance is based on a current future commodity price curve with an annual average WTI price of US $72.50/bbl, $3.30/GJ AECO and estimated foreign exchange of $0.78 CDN/USD. As demonstrated in the past, the Company will continue to remain flexible, adaptable and react promptly to changing commodity prices throughout the year and will adjust its capital program if deemed appropriate.

InPlay is proud of the actions taken in 2020 to survive the price collapse caused by the pandemic. The strong operational results and acquisitions we made in 2021 have put us in the best financial, operational and sustainable position we have ever been as a company. We are very excited about the upcoming year which will reflect the first year of operations including the Prairie Storm assets. Record financial and operational results are anticipated again in 2022 and we look forward to continuing to maintain sustainability, deliver disciplined growth and strong returns to our shareholders. We would like to thank all of our employees, service providers, and shareholders for their continued efforts and support as well as our directors for their ongoing commitment and dedication. Please view our January 2022 corporate presentation which will be uploaded at www.inplayoil.com.

Notes:

1. *See "Reader Advisories - Production Breakdown by Product Type"*
2. *"Free adjusted funds flow", "Net debt to EBITDA", "Operating income", "Operating income profit margin" and "Production per debt adjusted share" do not have a standardized meaning under International Financial Reporting Standards (IFRS) and GAAP and therefore may not be comparable with the calculations of similar measures for other companies. Please refer to "Non-GAAP Financial Measures and Ratios" at the end of this news release and to the section entitled "Non-GAAP Measures and Ratios" in our MD&A for details of calculations, rationale for use and applicable reconciliation to the nearest IFRS measure.*
3. *See "Reader Advisories – Forward Looking Information and Statements" for key budget and underlying assumptions related to our 2022 capital program and associated guidance.*

Hedging Update

In adherence to our recently increased and amended first lien credit facility, the Company has entered into additional near-term crude oil and natural gas derivative contracts. These contracts are structured such that they still provide InPlay with exposure to significantly higher commodity prices including $USD WTI prices up to $93/bbl in the second quarter of 2022 and $100/bbl in the third and fourth quarter of 2022 while also providing protection to extreme reductions in commodity prices. The following is a summary of all commodity contracts currently in place:

	Q1/22	Q2/22	Q3/22	Q4/22
Natural Gas AECO Swap(1) (GJ/d)	1,000	2,750	2,750	925
Hedged price ($AECO/GJ)	$2.30	$3.19	$3.19	$3.19
Natural Gas AECO Costless Collar(2) (GJ/d)	7,000	4,750	2,750	2,720
Hedged price ($AECO/GJ)	($2.56 - $4.25)	($2.50 - $3.71)	($2.50 - $3.64)	($2.34 - $4.49)
Crude Oil WTI Put(3) (bbl/d)	1,700	-	-	-
Hedged price ($USD WTI/bbl)	$50.00	-	-	-
Premium - $1.00 per bbl				
Crude Oil WTI Three-way Collar(4) (bbl/d)	-	1,700	1,400	930
Low sold put price ($USD WTI/bbl)	-	$45.00	$45.00	$45.00
Mid bought put price ($USD WTI/bbl)	-	$50.00	$50.00	$50.00
High sold call price ($USD WTI/bbl)	-	$93.00	$100.00	$100.00

(1) Fixed price swaps provide InPlay with a guaranteed price in lieu of realization of floating index prices.

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

(3) Puts provide InPlay with a minimum floor price and full exposure to floating index prices realized above the minimum floor price for a premium payment.

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

About InPlay Oil Corp.

InPlay, based in Calgary, Alberta, has been engaged in the business of exploring for, developing and producing oil and natural gas, and acquiring oil and natural gas properties in western Canada since it commenced operations as a private company in June 2013. InPlay has concentrated on exploration and development drilling of light oil prospects in the Province of Alberta in a focused area of Central and West Central Alberta.

The InPlay management team has worked closely together for many years in both private and public company environments and has an established track record of delivering cost-effective per share growth in reserves, production, AFF and funds flow. InPlay will continue to implement its proven strategy of exploring, acquiring, and exploiting assets with a long-term focus on large, light oil resources. The InPlay management team brings a full spectrum of geotechnical, engineering, negotiating and financial experience to its investment decisions. An updated corporate presentation will be posted to InPlay's website in due course. Additional information about the Company can be found on SEDAR and on InPlay's website at: www.inplayoil.com.

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Reader Advisories

Non-GAAP Financial Measures and Ratios

Included in this press release are references to the terms “free adjusted funds flow”, “operating income”, “operating income profit margin”, “Net Debt to EBITDA” and “Production per debt adjusted share”. Management believes these measures are helpful supplementary measures of financial and operating performance and provide users with similar, but potentially not comparable, information that is commonly used by other oil and natural gas companies. These terms do not have any standardized meaning prescribed by GAAP and should not be considered an alternative to, or more meaningful than “profit (loss) before taxes”, “profit (loss) and comprehensive income (loss)” or assets and liabilities as determined in accordance with GAAP as a measure of the Company’s performance and financial position.

InPlay uses “free adjusted funds flow” as a key performance indicator. Free adjusted funds flow should not be considered as an alternative to or more meaningful than funds flow as determined in accordance with GAAP as an indicator of the Company’s performance. Free adjusted funds flow is calculated by the Company as adjusted funds flow less capital expenditures and is a measure of the cashflow remaining after capital expenditures that can be used for additional capital activity, repayment of debt or decommissioning expenditures. Management considers free adjusted funds flow an important measure to identify the Company’s ability to improve the financial condition of the Company through debt repayment, which has become more important recently with the introduction of second lien lenders. Refer to the “Forward Looking Information and Statements” section for a calculation of forecast free adjusted funds flow.

InPlay uses “operating income“ and “operating income profit margin” as key performance indicators. Operating income is calculated by the Company as oil and natural gas sales less royalties, operating expenses and transportation expenses and is a measure of the profitability of operations before administrative, share-based compensation, financing and other non-cash items. Management considers operating income an important measure to evaluate its operational performance as it demonstrates its field level profitability. Operating income profit margin is calculated by the Company as operating income as a percentage of oil and natural gas sales. Management considers operating income profit margin an important measure to evaluate its operational performance as it demonstrates how efficiently the Company generates field level profits from its sales revenue. Refer to the “Forward Looking Information and Statements” section for a calculation of forecast free adjusted funds flow.

InPlay uses “Net Debt to EBITDA” as a key performance indicator. EBITDA should not be considered as an alternative to or more meaningful than adjusted funds flow as determined in accordance with GAAP as an indicator of the Company’s performance. EBITDA is calculated by the Company as adjusted funds flow before interest expense. This measure is consistent with the EBITDA formula prescribed under the Company's Credit Facility. Net Debt to EBITDA is calculated as Net Debt divided by EBITDA. Management considers Net Debt to EBITDA a key performance indicator as it is a key metric to identify the Company’s ability to fund financing expenses, net debt reductions and other obligations. Refer to the “Forward Looking Information and Statements” section for a calculation of forecast Net Debt/EBITDA.

InPlay uses “Production per debt adjusted share” as a key performance indicator. Debt adjusted shares should not be considered as an alternative to or more meaningful than common shares as determined in accordance with GAAP as an indicator of the Company’s performance. Debt adjusted shares is calculated by the Company as common shares outstanding plus the change in net debt divided by the Company's current trading price on the TSX, converting net debt to equity. Production per debt adjusted share is calculated by the Company as production divided by debt adjusted shares. Management considers Production per debt adjusted share is a key performance indicator as it adjusts for the effects of changes in annual production in relation to the Company’s capital structure. Refer to the “Forward Looking Information and Statements” section for a calculation of forecast Production per debt adjusted share.

Forward-Looking Information and Statements

This news release contains certain forward–looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" “forecast” and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following; the Company’s planned 2022 capital program including wells to be drilled and completed and the timing of the same; 2022 guidance based on the planned capital program including forecasts of 2022 annual average production levels, debt adjusted production levels, adjusted funds flow, free adjusted funds flow, Net Debt/EBITDA ratio, operating income profit margin, and growth rates; light oil and liquids weighting estimates; expectations regarding future commodity prices; the expectation that the first quarter of 2022 will be the Company’s most active quarter to date, future liquidity and financial capacity; future results from operations and operating metrics and capital guidance; management’s assessment of potential drilling inventory; future costs, expenses and royalty rates; future interest costs; the exchange rate between the $US and $Cdn; and methods of funding our capital program.

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

The forward-looking information and statements included herein are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to defer materially from those anticipated in such forward-looking information or statements including, without limitation: the continuing impact of the COVID-19 pandemic; changes in our planned 2022 capital program; changes in commodity prices and other assumptions outlined herein; the potential for variation in the quality of the reservoirs in which we operate; changes in the demand for or supply of our products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of InPlay or by third party operators of our properties; increased debt levels or debt service requirements; inaccurate estimation of our oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in InPlay's disclosure documents.

The internal projections, expectations or beliefs underlying the Company's 2022 capital budget, associated guidance, underlying assumptions and corporate outlook for 2022 and beyond are subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. InPlay's outlook for 2022 and beyond provides shareholders with relevant information on management's expectations for results of operations, excluding any potential acquisitions, dispositions or strategic transactions that may be completed in 2022 and beyond based on the key assumptions outlined below. Accordingly, undue reliance should not be placed on the same. Readers are cautioned that unexpected events or circumstances of the incorrectness of assumptions used could cause capital plans and results to differ materially from those predicted and InPlay's 2022 guidance and outlook may not be appropriate for other purposes.

The forward-looking information and statements contained in this news release speak only as of the date hereof and InPlay does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

The key budget and underlying material assumptions used by the Company in the development of its 2022 guidance including forecasted production, operating income, capital expenditures, adjusted funds flow, free adjusted funds flow, Net Debt and Net Debt/EBITDA ratio are as follows:

		FY 2022
WTI	US$/bbl	$72.50
NGL Price	$/boe	$42.75
AECO	$/GJ	$3.30
Foreign Exchange Rate	CDN$/US$	0.78
MSW Differential	US$/bbl	$3.50
Production	Boe/d	8,900 – 9,400
Royalties	$/boe	5.25 – 5.75
Operating Expenses	$/boe	10.00 – 13.00
Transportation	$/boe	0.85 – 1.10
Interest	$/boe	0.85 – 1.25
General and Administrative	$/boe	2.00 – 2.60
Hedging loss	$/boe	0.00 – 0.20

Decommissioning Expenditures	$ millions	$2.0 - $2.5
Net Debt	$ millions	$22.0 - $28.0
Forecasted Adjusted Funds Flow	$ millions	$111.0 - $117.0
Weighted average outstanding shares	# millions	86.2
Forecasted Adjusted Funds Flow per share	$/share	1.28 – 1.36

		FY 2022
Forecasted Adjusted Funds Flow	$ millions	$111.0 - $117.0
Capital Expenditures	$ millions	$58.0
Forecasted Free Adjusted Funds Flow	$ millions	$53.5 - $59.5

		FY 2022
Forecasted Adjusted Funds Flow	$ millions	$111.0 - $117.0
Interest	$/boe	0.85 – 1.25
EBITDA	$ millions	$115.0 - $120.0
Net Debt	$ millions	$22.0 - $28.0
Net Debt/EBITDA		0.2 – 0.3

		FY 2022
Production	Boe/d	8,900 – 9,400
Opening Net Debt	$ millions	$76.5 - $79.5
Ending Net Debt	$ millions	$22.0 - $28.0
Weighted average outstanding shares	# millions	86.2
Share price @ Dec 31, 2021	$	2.18
Production per debt adjusted share growth(1)		76% - 86%

(1) Production per debt adjusted share is calculated by the Company as production divided by debt adjusted shares. Debt adjusted shares is calculated by the Company as common shares outstanding plus the change in net debt divided by the Company's current trading price on the TSX, converting net debt to equity. Share price at December 31, 2022 is assumed to be consistent with the share price at December 31, 2021.

- See “Production Breakdown by Product Type” below
- Quality and pipeline transmission adjustments may impact realized oil prices in addition to the MSW Differential provided above
- Changes in working capital are not assumed to have a material impact between Dec 31, 2021 and Dec 31, 2022.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about InPlay’s prospective capital expenditures, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. The actual results of operations of InPlay and the resulting financial results will likely vary from the amounts set forth in this press release and such variation may be material. InPlay and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments. However, because this information is subjective and subject to numerous risks, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, InPlay undertakes no obligation to update such FOFI. FOFI contained in this press release was made as of the date of this press release and was provided for the purpose of providing further information about InPlay's anticipated future business operations. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein.

Production Breakdown by Product Type

Disclosure of production on a per boe basis in this press release consists of the constituent product types as defined in NI 51-101 and their respective quantities disclosed in the table below:

	Light and Medium Crude oil (bbls/d)	NGLS (boe/d)	Conventional Natural gas (Mcf/d)	Total (boe/d)
2021 Annual Average Production Guidance	3,170	800	11,430	5,875(1)
2022 Annual Average Production Guidance	4,332	1,312	21,035	9,150(2)

Notes:

1. *This reflects the mid-point of the Company's 2021 production guidance range of 5,750 to 6,000 boe/d.*
2. *This reflects the mid-point of the Company's 2022 production guidance range of 8,900 to 9,400 boe/d.*
3. *With respect to forward-looking production guidance, product type breakdown is based upon management's expectations based on reasonable assumptions but are subject to variability based on actual well results.*

BOE equivalent

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