InPlay Oil Corp. Announces First Quarter 2018 Financial and Operating Results Highlighted by a 24 % Increase in Light Oil Production

May 10, 2018 - Calgary Alberta – InPlay Oil Corp. (TSX: IPO) (OTCQX: IPOOF) ("InPlay" or the "Company") announces its financial and operating results for the three months ended March 31, 2018. InPlay's condensed unaudited interim financial statements and notes, as well as management's discussion and analysis ("MD&A") for the three months ended March 31, 2018 will be available shortly on the System for Electronic Document Analysis and Retrieval ("SEDAR") and our website ("www.inplayoil.com").

Financial and Operating Highlights

(CDN) ($000's) (except per share figures)	Three months ended March 31	
	2018	**2017**
Financial (CDN$)		
Oil and natural gas sales	19,909	15,149
Adjusted funds flow from operations(1)	7,938	6,096
Per share – basic and diluted	0.12	0.10
Per boe	19.98	17.56
Net Income	3,295	1,010
Per share – basic and diluted	0.05	0.02
Exploration and Development Capital expenditures	13,546	9,511
Net Property (dispositions)	(4,321)	(16)
(Net Debt)(1)	(53,407)	(37,987)
Shares outstanding	67,886,619	62,396,169
Basic & Diluted weighted-average shares	67,886,619	62,396,169
Operational		
Daily production volumes		
Crude oil (bbls/d)	2,711	2,191
Natural gas liquids (bbls/d)	411	343
Natural gas (Mcf/d)	7,758	7,950
Total (boe/d)	4,415	3,859
Realized prices		
Crude Oil & NGLs ($/bbls)	65.45	57.66
Natural gas ($/Mcf)	2.18	2.79
Total ($/boe)	50.11	43.62
Operating netbacks ($ per boe)(1)		
Oil and Gas sales	50.11	43.62
Royalties	(5.01)	(4.56)
Transportation expense	(0.79)	(0.75)
Operating costs	(15.98)	(15.44)
Operating Netback (prior to realized derivative contracts)	28.33	22.87
Realized gain (loss) on derivative contracts	(2.72)	0.38
Operating Netback (including realized derivative contracts)	26.61	23.25

(1) "Adjusted funds flow from operations", "Net Debt", "Operating netback per boe" and "Operating netback" do not have a standardized meaning under international financial Reporting standards ("IFRS") and GAAP. "Adjusted funds flow from operations" adjusts for decommissioning obligation expenditures and net change in operating non-cash working capital from net cash flow provided by operating activities. Please refer to Non-GAAP Financial Measures and BOE equivalent at the end of this news release.

Message to Shareholders:

We are pleased to present InPlay's financial and operating results for the three months ended March 31, 2018.

InPlay's first quarter capital program was directed towards its Willesden Green bioturbated Cardium assets where we are seeing some of the most productive results from Cardium light oil wells in Alberta. This capital program assisted in positioning InPlay as one of the highest growth light oil focused junior oil and gas Companies, with light oil and liquids comprising approximately 71% of our first quarter production and 93% of our total revenues. The $13.5 million development capital program was expended over the quarter, net of $4.3 million in net proceeds from acquisition and disposition activities, resulting in record average quarterly production of 4,415 boe/d and operating income of $11.3 million.

Q1 2018 Financial & Operating Highlights:

- Total production is up 14% to 4,415 boe/d compared to the first quarter of 2017, within annual average 2018 guidance of 4,400 – 4,500 boe/d. Total oil and liquids weighting also increased to 71% from 65% entirely attributable to light oil growth over the same respective periods.

- Light oil production of 2,711 bbl/day is a 24% increase over the first quarter of 2017 and an eight percent increase over the fourth quarter of 2017, reflecting focused development of our light oil weighted Cardium assets.

- Development in Willesden Green resulted in area production growth of approximately 175% to over 2,200 boe/day in the first quarter of 2018 compared to December 2016 with light oil and liquids weighting increasing to 77% from 58%.

- Revenues increased 31% from the first quarter of 2017 to $19.9 million (93% derived from light oil and liquids). Light oil revenues in the first quarter increased 40% over the first quarter of 2017 to $16.9 million also tracking the focused development of our light oil weighted Cardium assets.

- Operating income of $11.3 million, represents a 42% increase over the first quarter of 2017 with a corresponding 24% increase in operating netback to $28.33/boe. First quarter 2018 operating income represents an 11% increase over the fourth quarter of 2017 with a resulting eight percent increase in operating netbacks.

- Adjusted funds flow from operations of $7.9 million ($0.12 per basic share and $0.48 per basic share annualized) representing a 30% increase over the first quarter of 2017.

- Net income for the first quarter was $1.4 million, a 38% increase over the first quarter of 2017.

- Closed the disposition of a non-core gas plant facility for proceeds of $10 million.

- Acquired 6,059 net acres and an additional 50 net tier 1 potential drilling locations identified by management in Willesden Green for consideration of $5.7 million.

InPlay executed on an active first quarter 2018 capital program, with $13.5 million of development capital focused on the Willesden Green bioturbated Cardium where we drilled 2 (1.2 net) extended reach horizontal wells and 4 (2.6 net) one-mile horizontal wells. Production based on field estimates from the quarter's extended reach horizontal wells delivered an average IP30 rate of 538 boe/d (88% light oil and liquids) and delivered an average IP60 production rate of 474 boe/d (88% light oil and liquids). The one mile wells came on later in the quarter delivering an average IP30 production rate of 298 boe/d (91% oil and liquids). In aggregate, InPlay drilled and completed an equivalent of 7.5 gross (4.9) net horizontal miles.

The Company closed the disposition of a natural gas facility and associated infrastructure for $10 million in gross proceeds, where only 14% of the throughput of this facility was utilized by InPlay. The facility, which was located in a non-core area to InPlay, was sold for over 13 times net operating income. We also closed strategic Cardium asset acquisitions in the Willesden Green area for a total cost of $5.7 million (including adjustments). These acquisitions significantly added to our Willeden Green core area with 6,059 net acres of land (a 31% increase) and a potential drilling inventory of over 50 net tier 1 horizontal locations identified by management (a 64% increase) in the bioturbated zone where some of the highest light oil returns in Western Canada are being generated with average initial production ratios of over 85% light oil and liquids. These newly acquired lands are contiguous with the recent strong drilling results achieved by InPlay, and other industry operators surrounding these lands delivering results which are exceeding our forecasted type curve estimates. InPlay plans to begin drilling on these lands late in the second quarter and into the second half of 2018.

Outlook

The steps InPlay has taken throughout 2017 and into 2018, including the completion of multiple strategic tuck-in Willesden Green acquisitions, Crown land sale acquisitions predominantly in the East Basin Duvernay area, a flow-through share financing, the non-core facility divestiture and the focused shift in capital to Willesden Green, positions InPlay as a sustainable long-term Company with two exciting light oil plays in the Cardium and the East Duvernay light oil shale play while maintaining solid financial flexibility. The Willesden Green property will be actively developed as our current growth area over the near term, while the Duvernay play is expected to be developed at a more measured pace. Competitor activity in the Duvernay in close proximity to our lands continues to demonstrate very encouraging results as completion techniques evolve. Our long tenure Crown land holdings provide us time, favorable royalty rates and allows us the flexibility to track industry developments in the area as we plan toward developing the play in order to maximize its profitability.

The remainder of 2018 will see approximately 6–7 net additional Cardium horizontal wells drilled. The Willesden Green area is planned to comprise, at a minimum, 80% of budgeted development capital for the year and will include additional extended reach horizontal wells. Completion of our first Duvernay horizontal well is expected to be the highlight in the second quarter and we would expect results by the middle to the end of the third quarter as peak production typically occurs in the first two to four months. Approximately $5.0 million of 2018 capital will be directed towards this activity on the Company's Duvernay play.

We reiterate our forecasted 2018 production guidance to average between 4,400 – 4,500 boe/d (72% light oil and liquids) and 2018 exit production of 4,800 – 4,900 boe/d (73% light oil and liquids). Capital expenditures are expected to track approximate funds flow for the year with a targeted net debt to annualized fourth quarter adjusted funds flow ratio of approximately 1.2 times.

Given InPlay's significant exposure to light oil prices, the Company is following the ongoing strength in the crude oil commodity market. A continuation of current crude oil commodity prices at the levels we have seen to date, above our budgeted USD $60.00 WTI, may provide ample capacity for InPlay to potentially expand its capital program in the second half of 2018.

InPlay's capital program for the year will continue to be focused on properties that are expected to provide top tier returns and increase overall corporate light oil production and cashflow from operations.

We are very excited about InPlay's growth and development potential going forward given the land and asset positions we have assembled in the Willesden Green and Pembina Cardium, as well as the East Basin Duvernay. With these high return, top quartile operating netback assets and our financial flexibility, we expect to be able to deliver a focused and meaningful development program delivering sustainable per-share growth for shareholders.

We thank our employees and directors for their ongoing commitment and dedication and we thank all of our shareholders for their continued interest and support. We look forward to reporting our upcoming results to our shareholders.

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Non-GAAP Financial Measures and Oil and Gas Metrics

InPlay uses certain terms within this news release that do not have a standardized prescribed meaning under GAAP and these measurements may not be comparable with the calculation of similar measurements of other entities. The terms “Adjusted funds flow from operations”, “Adjusted funds flow from operations per share”, “Adjusted funds flow from operations per boe”, “operating netbacks” , ”operating netback per boe”, “operating income” and “net debt” in this news release are not recognized measures under GAAP. Management believes that in addition to net earnings and cash flow provided by operating activities as defined by GAAP, these terms are useful supplemental measures to evaluate operating performance as it demonstrates its field level of profitability relative to current commodity prices and to assess leverage. “Adjusted funds flow from operations” should not be considered as an alternative to or more meaningful than cash provided by operating activities as determined in accordance with GAAP as an indicator of the Company’s performance. InPlay’s determination of adjusted funds flow from operations may not be comparable to that reported to other companies. Adjusted funds flow from operations is calculated by adjusting for changes in operating non-cash working capital and decommissioning expenditures from cash flow provided by operating activities. These items are adjusted from cash flow provided by operating activities as these expenditures are primarily incurred on previous operating assets and there is uncertainty with the timing and payment of these items and they are incurred on a discretionary basis making them less useful in the evaluation InPlay’s operating performance. Adjusted funds flow from operations per share is calculated using the same weighted average number of shares outstanding used in calculating earnings per share. Users are cautioned, however, that these measures should not be construed as an alternative to net earnings or cash flow provided by operating activities determined in accordance with GAAP as an indication of InPlay’s performance. For a detailed description of InPlay’s method of the calculation of adjusted funds flow from operations and its reconciliation to GAAP terms, see “Non-IFRS Measures” in the Company’s MD&A filed on Sedar. The term “net debt” is not recognized under GAAP and is calculated as bank debt plus working capital deficiency adjusted for risk management derivative contract fair values, deferred lease credits, flow-through share premiums and current portion of decommissioning obligation. Net debt is used by management to analyze the financial position and leverage of InPlay. InPlay monitors working capital and net debt as part of its capital structure. Such terms do not have a standardized meaning prescribed by GAAP and, therefore, may not be comparable with the calculation of similar measures for other entities. InPlay also uses “operating netback” and “operating netback per boe” as a key performance indicator. Operating netback per boe is utilized by InPlay to evaluate the operating performance of its petroleum and natural gas assets, and is determined by deducting royalties and operating and transportation expenses from petroleum and natural gas revenue (all on a per boe basis). Operating Income provides the total income provided by operating activities over the period and is determined by deducting royalties and operating and transportation expenses from petroleum and natural gas revenue

Management uses oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare InPlay's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes. Test results and initial or short term production rates disclosed herein may not necessarily be indicative of long term performance of ultimate recovery. Initial production rates disclosed herein, particularly those short in duration, may not be indicative of long term performance or of ultimate recovery.

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 volume and product mix of InPlay's oil and gas production; production estimates including 2018 annualized and exit forecasts, targeted production growth; future oil and natural gas prices and InPlay's commodity risk management programs; future liquidity and financial capacity; future results from operations and operating metrics including forecasts of operating netbacks, adjusted funds flow, cash flow and net debt ratios; future costs, expenses and royalty rates; future interest costs; the exchange rate between the $US and $Cdn; future development, exploration, acquisition, development and infrastructure activities and related capital expenditures, including our 2018 capital budget and the potential expansion threrof, and the timing thereof; the number of wells to be drilled, completed and tied-in and the timing thereof; the amount and timing of capital projects; the resource potential of our Duvernay play; 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; 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: changes in commodity prices; 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 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.

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.