InPlay Oil Corp. Announces First Quarter 2019 Financial and Operating Results

May 8, 2019 - 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, 2019. 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, 2019 will be available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and our website ("www.inplayoil.com").

We are pleased to present InPlay's financial and operating results for the three months ended March 31, 2019 highlighted by a 7% increase in production and a 14% increase in adjusted funds flow from operations(1) compared to the three months ended March 31, 2018.

First Quarter 2019 Financial & Operating Highlights

- Increased revenue 51% to $19.2 million in the first quarter of 2019 compared to $12.7 million in the fourth quarter of 2018. Significant improvements to realized crude oil prices began early in the first quarter of 2019 as a result of the dramatic improvement in the Edmonton light oil to West Texas Intermediate ("WTI") differential with Edmonton light differentials narrowing to average US $4.85/bbl in the first quarter of 2019 compared to US $26.30/bbl in the fourth quarter of 2018.
- Achieved production growth of 7% with average production of 4,737 boe/d (68% light oil and liquids) in the first quarter of 2019 compared to 4,415 boe/d (71% light oil and liquids) in the first quarter of 2018, net of the sale of approximately 250 boe/d of non-core producing assets in October 2018. As well, approximately 6,000 barrels of light oil above normal levels was held in storage at the end of the first quarter.
- Generated adjusted funds flow from operations (1) of $9.1 million ($0.13 per basic share) representing a 14% increase over the first quarter of 2018 total of $7.9 million. On a per boe basis, adjusted funds flow from operations improved by 6% to $21.24/boe in the first quarter of 2019 compared to $19.98/boe in the first quarter of 2018. These results were achieved despite a 13% decrease in WTI prices over the same respective periods resulting in a realized oil price of $63.79/boe in the first quarter of 2019 compared to $69.44/boe in the first quarter of 2018.
- Efficiencies and a continued focus on decreasing costs in operations resulted in operating costs of $14.29/boe, a decrease of 11% compared to the first quarter of 2018 and a decrease of 6% compared to the fourth quarter of 2018. General and administrative costs decreased 9% to $3.71/boe in comparison to $4.08/boe in the first quarter of 2018.
- Operating income profit margin (1) of 59% was generated in the first quarter of 2019 compared to 32% in the fourth quarter of 2018 and 56% in the first quarter of 2018, even with the lower realized oil prices received over the first quarter of 2019 compared to the first quarter of 2018.
- Capital expenditures of $14.8 million were incurred in the first quarter, drilling and completing five (2.7 net) extended reach horizontal ("ERH") wells and completing two (2.0 net) ERH wells that were drilled in the fourth quarter of 2018.

(1) "Adjusted funds flow from operations" and "operating income profit margin" 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 "BOE equivalent" at the end of this news release and to the section entitled "Non-GAAP Measures" in our MD&A for details of calculations, rationale for use and applicable reconciliation to the nearest IFRS measure.

Financial and Operating Results:

(CDN$) (000's)	Three months ended March 31 2019	2018
Financial (CDN $)		
Petroleum and natural gas revenue	19,210	19,909
Cashflow provided by operating activities	5,391	7,224
Per share – basic and diluted	0.08	0.11
Per boe	12.65	18.18
Adjusted Funds flow from operations [(1)]	9,054	7,939
Per share – basic and diluted [(1)]	0.13	0.12
Per boe [(1)]	21.24	19.98
Comprehensive Income	1,035	1,390
Per share – basic and diluted	0.02	0.02
Exploration and Development Capital expenditures	14,763	13,546
Property Acquisitions (Dispositions)	87	(4,321)
(Net Debt) [(1)]	(60,033)	(53,407)
Shares outstanding	68,256,616	67,886,619
Basic & Diluted weighted-average shares	68,256,616	67,886,619
Operational		
Daily production volumes		
Crude oil (bbls/d)	2,723	2,711
Natural gas liquids (bbls/d)	500	411
Natural gas (Mcf/d)	9,084	7,758
Total (boe/d)	4,737	4,415
Realized prices		
Crude Oil & NGLs ($/bbls)	58.28	65.45
Natural gas ($/Mcf)	2.82	2.18
Total ($/boe)	45.06	50.11
Operating netbacks ($/boe) [(1)]		
Oil and Gas sales	45.06	50.11
Royalties	(3.50)	(5.01)
Transportation expense	(0.92)	(0.79)
Operating costs	(14.29)	(15.98)
Operating Netback (prior to realized derivative contracts)	26.35	28.33
Realized gain (loss) on derivative contracts	0.05	(2.72)
Operating Netback (including realized derivative contracts)	26.40	25.61

[(1)]"Adjusted funds flow from operations", "Adjusted funds flow from operations per share – basic and diluted", "Adjusted funds flow from operations per boe", "Operating Netback" and "Operating netback per boe" 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. "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 and to the section entitled "Non-GAAP Measures" in our MD&A for details of calculations, rationale for use and applicable reconciliation to the nearest IFRS measure.

<u>First Quarter 2019 Capital & Operations Overview</u>

InPlay's capital program of $14.8 million for the first quarter of 2019 consisted of completing two (2.0 net) extended reach horizontal ("ERH") Cardium wells that were drilled in the fourth quarter of 2018 and drilling four (2.5 net) ERH Cardium wells that were completed later in March 2019. One (0.2 net) non-operated ERH Nisku well was also drilled and completed in the quarter and placed on production early in the second quarter of 2019. Production for the quarter averaged 4,737 boe/d (68% light oil and liquids) which we are pleased to have achieved considering the extreme cold weather that occurred for a six week period starting in February that caused temporary production down-time and slowed down some of our capital activities. Operations maintained cost discipline over this period and consciously left volumes that were difficult to produce in the extreme weather temporarily down. This is one of the factors that enabled us to reduce operating costs which dropped 11% from $15.98/boe in the first quarter of 2018 to $14.29/boe in the first quarter of 2019. Infrastructure we have built in the past year has also provided us with more storage options and as a result 6,000 bbls of light oil was left in storage over the quarter and will be sold in the second quarter where WTI prices to date have been US $5.00/bbl to $7.00/bbl higher than in March.

Results from our drilling continue to be consistently strong exceeding our forecasts. Based on field estimates, production from the two 100% ERH wells brought on production in late January and the two 100% ERH wells brought on production in mid-March delivered an average initial production ("IP") 45 day rate of 639 boe/d (81% light oil and liquids). The non-operated ERH Nisku well produced an average of 515 boe/d (87% light oil and liquids) in April and over the last seven days has averaged 1,150 boe/d (96% light oil and liquids) based on field estimates.

Total oil and liquids weighting as a percentage of production was 68% in the first quarter of 2019 in comparison to 71% in the first quarter of 2018. This change was mostly due to operations requiring Cardium associated gas production to be routed to facilities yielding a lower percentage of natural gas liquids. This did not have a significant impact on cash flow in the quarter as natural gas pricing was strong due to the impact of the extended cold weather. InPlay is proactively working on infrastructure and facility upgrades that will allow associated natural gas production from our operations to be routed to higher liquids-yielding gas plants. More historically typical oil and liquids weighting percentages of approximately 70% are expected in the second quarter of 2019 and into the second half of the year.

<u>Outlook</u>

Overall commodity prices have improved significantly with Edmonton light sweet prices increasing 55% to CDN $66.53/bbl in the first quarter of 2019 from CDN $42.68/bbl in the fourth quarter of 2018 following an improvement in average light oil differentials with first quarter 2019 averaging US $4.85/bbl which is much closer to typical historical levels. WTI prices have also recently improved significantly ranging from US $60.00 - $65.00/bbl in the second quarter to date.

We had a very successful first quarter where we spent capital efficiently with strong results as evidenced by our two 100% ERH wells brought on production in March being in the top three average daily performing Cardium oil wells of the month. These wells produced an average of 885 boe/d (88% light oil and liquids) and 895 boe/d (87% light oil and liquids) respectively during the twenty days they were on production in March.

In the first quarter of 2019 we drilled 2.7 net ERH wells with the majority of our remaining 2019 capital planned to be spent in the second half of the year on approximately six net additional Cardium ERH wells. Field estimated average production in April was approximately 5,600 boe/d (70% light oil and liquids) which positions us well in the second quarter of 2019 where minimal capital spending is planned and we anticipate a record quarter for the Company in terms of adjusted funds flow from operations at forecasted production and current strip pricing. The majority of the remaining budgeted development capital for 2019 is planned to be incurred in the Willesden Green area. InPlay reiterates its forecasted 2019 capital budget of $36 million, exit production guidance of 5,400 – 5,600 boe/d (approximately 70% light oil and liquids) generating production growth of between ten to fourteen percent, and annual average production guidance of 4,900 – 5,100 boe/d (approximately

70% light oil and liquids) representing forecasted production growth of between six and ten percent for oil and liquids and on a total boe basis. We anticipate this will result in top tier organic light oil and liquids growth among our light oil peers for the current year.

The Company has benefited from the recovery in crude oil prices with current prices well above our January 2019 budget price of US $54.00 WTI as well as the narrowing of the Edmonton light oil to WTI differential which averaged US $4.85/bbl in the first quarter of 2019. On current 2019 futures pricing of approximately US $62.00 WTI and with our forecasted $36 million capital program, we expect to have significant free cash flow throughout 2019 providing the Company with many options including initially paying down debt, completing tuck-in acquisitions and capitalizing on increased opportunities in the Cardium.

The second quarter is expected to have certain large third party natural gas facility turnarounds which are anticipated to effect production (predominantly natural gas and associated liquids), however, these turnarounds are not expected to impact our annual production guidance.

Our Willesden Green Cardium play continues to provide top tier returns and capital efficiencies. We are continually utilizing our strong technical expertise and technological advancements which have resulted in some of the shortest drilling spud to rig release days for Cardium ERH wells in the area to date. Higher run times and less servicing through the initial production phase has resulted in both capital and operating cost savings. The Cardium continues to provide InPlay with top tier light oil growth and we believe top tier North American light oil economics. In addition, our East Basin Duvernay asset complements our long term strategy and represents one of the most exciting emerging light oil plays in the Western Canadian Sedimentary Basin. The East Shale Duvernay was recently described in a specific report on the play by BMO Capital Markets dated March 2019 stating "The East Shale Basin Duvernay Continues to Gain Momentum and is Quickly Evolving its Position to Become One of the Premier Oil Resource Plays in North America" and has "World-class rock characteristics combined with a massive resource in-place". Our focused strategy positions the Company well to deliver long-term sustainable light oil production per share growth and net asset value per share growth for our shareholders.

We also announce that effective May 7, 2019 Mr. Steven Yuzpe tendered his resignation as President and Chief Executive Officer of Sprott Resources Holdings Inc. to pursue other opportunities. In conjunction with this resignation Mr. Yuzpe also tendered his resignation as a director of InPlay on May 7, 2019. We would like to thank Mr. Yuzpe for his valued contributions to InPlay over the last number of years and wish him well with his future endeavors.

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 are excited about the strong operational results we have achieved to date and we look forward to reporting upcoming results from our ongoing development program.

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Reader Advisories

Non-GAAP Financial Measures

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 – basic and diluted", "adjusted funds flow from operations per boe", "operating income", "operating netback per boe" and "operating income profit margin" in this news release are not defined measures under GAAP and do not have standardized meanings or standardized methods of calculation and therefore may not be comparable to similar measures presented by other companies. 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 the Company's 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 flow 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 by 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, 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 of InPlay's operating performance. Adjusted funds flow from operations per share – basic and diluted, is calculated using the same weighted average number of shares outstanding used in calculating earnings per share. This measures conveys the portion of the cash flow generated attributable to each shareholder. Adjusted funds flow from operations boe is calculated by the Company as adjusted funds flow from operations divided by production during the period. Management considers adjusted funds flow from operations per boe an important measure to evaluate its operational performance as it demonstrates its field level profitability per unit of production. For a detailed description of InPlay's method of the calculation of adjusted funds flow from operations, adjusted funds flow from operations per share – basic and diluted and adjusted funds flow from operations per boe and their reconciliation to the nearest GAAP term, see "Non-GAAP Measures" in the Company's MD&A filed on SEDAR. InPlay also uses "operating income" and "operating netback per boe" as a key performance indicator. 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 netback per boe is calculated by the Company as operating income divided by average production for the respective period. Management considers operating netback per boe an important measure to evaluate its operational performance as it demonstrates its field level profitability per unit of production. Operating income profit margin is calculated as operating netback as a percentage of oil and natural gas sales. This measure demonstrates the Company's ability to generate field level profitability in relation to sales revenue.

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 2019 annualized and exit forecasts; targeted production growth and liquids weighting forecasts; future oil and natural gas prices and InPlay's commodity risk management programs; future liquidity and financial capacity including expectations for significant free cash flow in 2019 and potential uses for free cash flow; future results from operations and operating metrics including forecasts of operating netbacks, adjusted funds 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 2019 capital budget, the potential for increases to the same, 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 anticipated impact of third party facility turnarounds; the resource potential of our Duvernay play and the land value ascribed thereto; 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 internal projections, expectation or beliefs underlying InPlay's 2019 capital budget and guidance for 2019 is subject to change based on ongoing results, prevailing economic circumstances, commodity prices and industry conditions. InPlay's outlook for 2019 and beyond provides shareholders with relevant information on management's expectations for results of operations, excluding any potential acquisitions, dispositions or other strategic transactions that may be completed in 2019 or beyond. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted and InPlay's guidance 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.

Test Results and Initial Production Rates

Test results and initial production rates disclosed herein, particularly those short in duration, may not necessarily be indicative of long term performance or of ultimate recovery. A pressure transient analysis or well-test interpretation has not been carried out and thus certain of the test results provided herein should be considered to be preliminary until such analysis or interpretation has been completed.

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.