InPlay Oil Corp. Announces Second Quarter 2018 Financial and Operating Results and Increases Production Guidance

August 9, 2018 - Calgary Alberta – InPlay Oil Corp. (TSX: IPO) (OTCQX: IPOOF) ("InPlay" or the "Company") announces its financial and operating results for the three and six months ended June 30, 2018. InPlay's condensed unaudited interim financial statements and notes, as well as management's discussion and analysis ("MD&A") for the three and six months ended June 30, 2018 will be available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and our website ("www.inplayoil.com").

Financial and Operating Highlights

(CDN) ($000's) (except per share figures)	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Financial (CDN$)				
Oil and natural gas sales	20,993	14,584	40,902	29,733
Adjusted funds flow from operations(1)	7,376	6,171	15,314	12,270
Per share – basic and diluted	0.11	0.10	0.23	0.20
Per boe	18.44	18.08	19.21	17.81
Net Income (Loss)	(326)	457	1,064	1,467
Per share – basic and diluted	0.00	0.01	0.02	0.02
Exploration and Development Capital expenditures	12,329	4,446	25,875	13,957
Net Property Acquisitions (Dispositions)	184	1,219	(4,138)	1,203
(Net Debt)(1)	(58,616)	(37,960)	(58,616)	(37,960)
Shares outstanding	67,886,619	62,267,969	67,886,619	62,267,969
Basic weighted-average shares	67,886,619	62,386,891	67,886,619	62,391,505
Diluted weighted-average shares	67,886,619	62,386,891	67,886,619	62,391,505
Operational				
Daily production volumes				
Crude oil (bbls/d)	2,597	2,140	2,654	2,165
Natural gas liquids (bbls/d)	441	313	426	328
Natural gas (Mcf/d)	8,147	7,793	7,954	7,871
Total (boe/d)	4,396	3,752	4,405	3,805
Realized prices				
Crude Oil & NGLs ($/bbls)	72.99	56.06	69.19	56.87
Natural gas ($/Mcf)	1.10	2.92	1.62	2.85
Total ($/boe)	52.48	42.72	51.30	43.17
Operating netbacks ($ per boe)(1)				
Oil and Gas sales	52.48	42.72	51.30	43.17
Royalties	(5.61)	(4.14)	(5.31)	(4.35)
Transportation expense	(0.75)	(0.68)	(0.77)	(0.72)
Operating costs	(17.38)	(15.93)	(16.68)	(15.68)
Operating Netback (prior to realized derivative contracts)	28.74	21.97	28.54	22.42
Realized gain (loss) on derivative contracts	(4.91)	1.19	(3.82)	0.78
Operating Netback (including realized derivative contracts)	23.83	23.16	24.72	23.12

(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 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 Oil and Gas Metrics 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 and six months ended June 30, 2018.

InPlay's capital program over the second quarter 2018 saw a continued focus on our Willesden Green bioturbated Cardium assets and the completion of our first Huxley Duvernay light oil horizontal well. We continue to see exceptional results from our development in our core Willesden Green Cardium area with our wells exceeding our internal type curves and showing some of the best initial production results to date of all Cardium wells drilled in the area. InPlay is firmly established in one of the most active, substantial and economic horizontal development light oil plays as well as one of the most exciting emerging light oil plays in the Western Canadian Sedimentary Basin. We are positioned to be one of the highest growth light oil focused junior oil and gas companies amongst our light oil peers with light oil and liquids currently comprising approximately 70% of our first half 2018 production and 94% of our total revenues.

Q2 2018 Financial & Operating Highlights

- Total production is up 17% to 4,396 boe/d compared to the second quarter of 2017 resulting in average production for the first half of 2018 of 4,405 boe/d within our previous annual average 2018 guidance of 4,400 – 4,500 boe/d. Total oil and liquids weighting also increased to 69% from 65% entirely attributable to light oil growth over the same respective periods.

- Light oil production of 2,597 bbl/day is a 21% increase over the second quarter of 2017 and light oil and liquids production is a 24% increase over the second quarter of 2017 reflecting focused development of our light oil weighted Cardium assets.

- Revenues increased 44% from the second quarter of 2017 to $21.0 million (96% derived from light oil and liquids). Light oil revenues in the second quarter increased 60% over the second quarter of 2017 to $18.5 million, also tracking the focused development of our light oil weighted Cardium assets.

- Operating income of $11.5 million, represents a 53% increase over the second quarter of 2017 with a corresponding 31% increase in operating netback to $28.74/boe.

- Adjusted funds flow from operations was $7.4 million or $0.11 per basic share representing a 20% increase over the second quarter of 2017. Adjusting for realized losses on derivative contracts, adjusted funds flow from operations would be $9.3 million or $0.14 per basic share for the quarter.

- InPlay's borrowing base was increased by 25% to $75 million following the completion of the annual borrowing base review providing the Company expanded financial capacity.

Production for the quarter averaged 4,396 boe/d (69% oil and liquids) including downtime, equating to approximately 140 bbl/d of oil and liquids due to shut in and lost production from third party completion operations, as well as increased industry drilling activity resulting in facility constraints for fluid handling and increased natural gas line pressures in certain parts of Willesden Green. This required extra oil facility work to allow us to continue to move fluids and the addition of two compressors to reduce back pressures on the Cardium light oil wells.

InPlay's capital program of $12.3 million in the second quarter of 2018 was comprised of several exploration, development and land acquisition activities. Development capital was focused on the Willesden Green bioturbated Cardium where we drilled two 100 percent working interest extended reach horizontal wells and started a non-operated extended reach horizontal well that drilled through quarter end. Facility construction was started in the quarter for these wells, and they were completed subsequent to quarter end. Facility expansions and additions were also undertaken to alleviate fluid handling and gas processing constraints for current and future production. In aggregate, InPlay has drilled and completed an equivalent of 10.5 gross horizontal miles (7.9 net horizontal miles) in Willesden Green to the end of the second quarter. Our first Huxley Duvernay well was completed and equipped in the quarter with initial flow back production starting in June and currently in the cleanup phase. Additional acreage was acquired by InPlay at the Crown land sale in the quarter for $1.4 million, resulting in the addition of 12 sections (7,680 acres) to our core Huxley area and current Duvernay land holdings. This added contiguous acreage to our existing land position and increases our holdings in the area by 33 percent to 48.25 sections (30,880 acres).

Adjusted funds flow from operations for the second quarter was $7.4 million or $0.44 per basic share annualized. The strong increase in WTI crude oil prices over the first half of the year resulted in realized losses on crude oil derivative contracts of $2.0 million (27 percent of adjusted funds flow from operations) in the second quarter. Sixty percent of the Company's crude oil commodity derivative contracts in place through the second quarter and first half of 2018 expired on June 30, 2018.

Outlook

We are extremely pleased with our Cardium horizontal drilling results in Willesden Green. Results to date have exceeded our internally forecasted type curves and notwithstanding the lost production from offsetting third party fracturing operations and facility restraints, we remain on track to deliver top tier growth amongst our light oil peers. When coupled with the rise in WTI benchmark oil prices and an improved forward looking supply/ demand picture for world crude oil prices we are optimistic of our ability to continue to deliver top tier growth.

The second half of 2018 will see the completion of the two wells that were drilled at the end of the second quarter and the drilling of an estimated 5 additional extended reach horizontal wells. The Willesden Green area is where the majority of budgeted development capital for the year will be spent. With exceptional production results from our drilling achieved to date, we are increasing our average forecasted 2018 production guidance to 4,500 – 4,600 boe/d (71% light oil and liquids) and 2018 exit production to 4,900 – 5,000 boe/d (72% light oil and liquids). Our focused program for the remainder of the year, at current future pricing, is estimated to yield a net debt to annualized fourth quarter adjusted funds flow from operations ratio of approximately 1.2 times. Our 2018 exploration and development capital budget excluding land has been increased by $3.0 million to $41.0 million as all remaining wells to be drilled will be extended reach and forecast capital is being added for infrastructure and facilities on our recently acquired lands to ensure we have the ability to move our products. Total second half 2018 capital expenditures are forecast to be less than second half 2018 adjusted funds flow from operations. The reduced amounts hedged under crude oil derivative contracts starting in the second half of the year is expected to result in significantly improved returns on financial results compared to the second quarter with current crude oil commodity forecast prices.

InPlay continues to see exceptional results from wells recently drilled in our Willesden Green area and are excited about InPlay's growth and development potential given the land and asset positions assembled in the Willesden Green and Pembina Cardium plays, as well as in the East Basin Duvernay. We look forward to releasing results from our latest extended reach Cardium horizontal wells drilled on the assets we acquired in the first quarter of 2018. Also, in the coming months, we expect to be in a position to release results on our first Duvernay well that was drilled to retain land in our Huxley area of operations. Plans this year and going forward are to continue to deploy capital towards these high return, top quartile operating netback assets and, given our financial flexibility, we expect to be able to deliver sustainable light oil production per-share growth for our 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 are excited about our program for the remainder of the year and we look forward to reporting our upcoming results.

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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 IFRS and GAAP and therefore 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" used 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 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 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 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-GAAP 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 internal planning and 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 in this news release may not necessarily be indicative of long term performance of wells or ultimate recoveries.

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 average 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 thereof, 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.