InPlay Oil Corp. Announces Second Quarter 2019 Financial and Operating Results Achieving Record Quarterly Production and Increased Production Guidance

August 7, 2019 - Calgary Alberta – InPlay Oil Corp. (TSX: IPO) (OTCQX: IPOOF) ("InPlay" or the "Company") is pleased to announce its financial and operating results for the three and six months ended June 30, 2019. 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, 2019 will be available at "www.sedar.com" and our website at "www.inplayoil.com".

We are pleased to present InPlay's financial and operating results for the three and six months ended June 30, 2019, highlighted by a 18% increase in production and a 19% increase in adjusted funds flow from operations ("AFF")(1) for the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

Second Quarter 2019 Financial & Operating Highlights

- Achieved record average quarterly production of 5,179 boe/d (66% light oil and liquids) in the second quarter of 2019, an increase of 18% compared to 4,396 boe/d (69% light oil and liquids) in the second quarter of 2018 and an increase of 9% compared to 4,737 boe/d (68% light oil and liquids) in the first quarter of 2019.
- Year to date production growth of 13% was attained with average production of 4,959 boe/d (67% light oil and liquids) in the first half of 2019 compared to 4,405 boe/d (70% light oil and liquids) in the first half of 2018. Production growth was achieved notwithstanding the sale of approximately 250 boe/d of non-core producing assets in October 2018.
- Generated AFF(1) of $8.8 million ($0.13 per basic and diluted share) representing a 19% increase over the second quarter of 2018 total of $7.4 million ($0.11 per basic and diluted share). These results were achieved despite a 12% decrease in West Texas Intermediate ("WTI") prices, a 13% decrease in AECO daily gas prices as well as a 53% decrease in the Company's realized Natural Gas Liquids ("NGLs") prices over the same respective periods.
- Continued focus on efficiencies resulted in operating costs decreasing 18% to $14.32/boe in the second quarter of 2019 from $17.38/boe in the second quarter of 2018. This decrease, combined with lower royalty rates largely from lower Alberta par prices, resulted in operating netbacks(1) of $23.81/boe in the second quarter of 2019.
- Operating income profit margin(1) of 56% was generated in the second quarter of 2019 compared to 55% in the second quarter of 2018, even with the lower realized light oil, natural gas and NGL prices received over the second quarter of 2019 compared to the second quarter of 2018.
- Net debt decreased by $3.7 million to $56.3 million at the end of the second quarter of 2019 from $60.0 million at the end of the first quarter of 2019 given the significant AFF(1) generated during the quarter net of exploration and development ("E&D") capital expenditures even with the drilling of two wells in June originally scheduled to be drilled in July.

Financial and Operating Results:

(CDN) ($000's)	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Financial (CDN$)				
Oil and natural gas sales	19,995	20,993	39,205	40,902
Net cash flow provided by operating activities	10,649	7,015	16,040	14,238
Per share – basic and diluted	0.16	0.10	0.23	0.21
Per boe	22.60	17.54	17.87	17.86
Adjusted funds flow from operations(1)	8,755	7,376	17,808	15,314
Per share – basic and diluted(1)	0.13	0.11	0.26	0.23
Per boe(1)	18.58	18.44	19.84	19.21
Comprehensive income/(loss)	(7,629)	(326)	(6,594)	1,064
Per share – basic and diluted	(0.11)	0.00	(0.10)	0.02
Exploration and development capital expenditures	4,688	12,329	19,451	25,875
Property acquisitions/(dispositions)	(9)	184	78	(4,138)
Net Debt	(56,304)	(58,616)	(56,304)	(58,616)
Shares outstanding	68,256,616	67,886,619	68,256,616	67,886,619
Basic & diluted weighted-average shares	68,256,616	67,886,619	68,256,616	67,886,619
Operational				
Daily production volumes				
Crude oil (bbls/d)	2,739	2,597	2,731	2,654
Natural gas liquids (bbls/d)	665	441	583	426
Natural gas (Mcf/d)	10,647	8,147	9,870	7,954
Total (boe/d)	5,179	4,396	4,959	4,405
Realized prices				
Crude oil & NGLs ($/bbls)	61.41	72.99	59.90	69.19
Natural gas ($/Mcf)	1.00	1.10	1.83	1.62
Total ($/boe)	42.43	52.48	43.68	51.30
Operating netbacks ($/boe)(1)				
Oil and natural gas sales	42.43	52.48	43.68	51.30
Royalties	(3.41)	(5.61)	(3.46)	(5.31)
Transportation expense	(0.89)	(0.75)	(0.90)	(0.77)
Operating costs	(14.32)	(17.38)	(14.30)	(16.68)
Operating netback (prior to realized derivative contracts)	23.81	28.74	25.02	28.54
Realized gain (loss) on derivative contracts	0.00	(4.91)	0.03	(3.82)
Operating netback (including realized derivative contracts)	23.81	23.83	25.05	24.72

(1) "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" 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 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.

Second Quarter 2019 Capital & Operations Overview

InPlay forecasted minimal capital spending for the second quarter of 2019 during the spring break-up period where we had AFF of $8.8 million and E&D capital expenditures of $4.7 million. Low second quarter industry activity in Canada provided InPlay access to preferred services and with our Company's sound financial position we decided to accelerate the drilling of two (2.0 net) 1.5 mile extended reach horizontal ("ERH") wells which were originally scheduled to be drilled in the third quarter. These two wells were drilled in 9.0 and 9.2 days respectively, continuing our industry pacesetting times for 1.5 mile ERH wells, but more importantly achieving drilling costs of $1.4 million per well.

Production for the quarter averaged 5,179 boe/d (66% light oil and liquids), a quarterly record for the Company, which is a significant accomplishment given the substantial third-party infrastructure turnarounds and downtime encountered at six third-party natural gas processing facilities from mid-March until the end of June. The Company is very pleased with this result as it exceeds the high end of our previous annual average production guidance of 4,900 – 5,100 boe/d.

Total light oil and liquids weighting as a percentage of production was 66% in the second quarter of 2019 in comparison to 69% in the second quarter of 2018 and 68% in the first quarter of 2019. Third-party natural gas processing infrastructure downtime affected the Company as Cardium associated gas production had to be moved along many different routes and to facilities yielding a lower percentage of natural gas liquids while incurring lower natural gas shrinkage. The downtime also put significant back pressure on all other oil wells in the impacted area temporarily restricting their inflow rates.

E&D capital expenditures of $4.7 million were incurred in the second quarter of 2019, primarily from the advanced drilling of the two (2.0 net) ERH wells in June which were completed and brought on production in late July 2019, in addition to further facility upgrades in Willesden Green to accommodate increased production from two new strong wells and to re-route natural gas to different facilities.

Natural gas and NGL prices were significantly lower over the second quarter with natural gas AECO daily index prices averaging $0.98 CDN/GJ, compared to $1.12 CDN/GJ for the second quarter of 2018 and $2.49 CDN/GJ in the first quarter of 2019. The Company's realized NGL prices averaged $19.67 CDN/bbl compared to $42.15 CDN/bbl and $28.29 CDN/bbl over the same two respective periods following reduced propane prices and reduced Butane pricing relative to WTI. The month of June was particularly burdened with extremely low prices with the AECO daily index price averaging $0.46 CDN/GJ and the Company's average realized NGL price at $17.75 CDN/bbl.

Outlook

InPlay has had a very strong first half of 2019. Following the July completion of the two (2.0 net) Willesden Green ERH wells drilled in the second quarter the remaining 2019 capital program is planned to be spent on approximately 4.0 - 5.0 net additional Cardium wells.

The latest two Willesden Green 1.5 mile ERH wells that were drilled in June, offsetting our two wells drilled in March that were among the top producing Cardium wells in the province during their first three months of production, are currently producing at similar rates to the March wells at this stage. Total drilling, completion and equipping costs for these new wells came in at $3.25 million each which is our lowest realized costs to date. They were expected to be on production in mid-July but completions were deliberately delayed to avoid additional costs due to very wet weather.

InPlay reiterates its 2019 forecasted E&D capital expenditure program of $36 million and given the continued successful well results supports an increase of our annual average production guidance to 5,000 – 5,200 boe/d (67% - 70% light oil and liquids) and exit production guidance to 5,500 – 5,700 boe/d (67% - 70% light oil and liquids), generating annual average production growth of between 8% - 12% and exit production growth of between 12% - 16%. This is anticipated to result in top tier organic light oil and liquids growth among our light oil peers for 2019.

Volatility in commodity prices continues with forward WTI prices averaging between US$54.00/bbl and US$58.00/bbl and AECO prices averaging approximately $1.50 - $1.70/Mcf over the second half of 2019. Edmonton light sweet differentials have narrowed and are currently in the $3.00 to $4.00 USD/bbl discount to WTI range for the third quarter of 2019 reflecting that the Alberta Government's production curtailments have been effective in keeping differentials down maximizing pricing for the Provinces revenues and companies while the crude oil storage in Alberta has dropped to multi-year lows. Within this commodity price environment, InPlay continues to be well positioned to generate top tier returns and capital efficiencies.

The strong level of technical expertise and significant experience in the Cardium that the Company has have allowed us to achieve excellent production results with some of the shortest drilling days to date while continually lowering costs resulting in some of the top monthly producing wells in the Cardium. Our Cardium assets continue to provide a stable, high return development plan for the Company. Complimenting this is our East Basin Duvernay asset which provides a long term strategy and represents one of the most exciting emerging light oil plays in the Western Canadian Sedimentary Basin.

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 cash flow provided by operating activities, "profit (loss) before taxes", "profit (loss) and comprehensive income (loss)" or assets and liabilities as determined in accordance with GAAP , these terms are useful supplemental measures to evaluate financial and operating performance.

InPlay uses "adjusted funds flow from operations", "adjusted funds flow from operations per share, basic and diluted" and "adjusted funds flow from operations per boe" as key performance indicators. Adjusted funds flow from operations should not be considered as an alternative to or more meaningful than net 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 net changes in operating non-cash working capital and decommissioning expenditures from net cash flow provided by operating activities. These items are adjusted from net cash flow provided by operating activities as there is uncertainty with the timing, collection and payment of these items and decommissioning expenditures are incurred on a discretionary and irregular basis and are primarily incurred on previous operating assets making them less useful in the evaluation of InPlay's operating performance. Adjusted funds flow from operations per share, basic and diluted is calculated by the Company as adjusted funds flow from operations divided by the weighted average number of common shares outstanding for the respective period. Management considers adjusted funds flow from operations per share, basic and diluted an important measure to evaluate its operational performance as it demonstrates the recurring operating cash flow generated attributable to each share. Adjusted funds flow from operations per boe is calculated as adjusted funds flow from operations divided by production for the respective period. Management considers adjusted funds flow from operations per boe an important measure to evaluate its operational performance as it demonstrates its recurring operating cash flow generated per unit of production. For a detailed description of InPlay's method of calculating 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, refer to the section "Non-GAAP Measures" in the Company's MD&A filed on SEDAR.

InPlay also uses "operating income", "operating netback per boe" and "operating income profit margin" as key performance indicators. Operating income should not be considered as an alternative to or more meaningful than profit (loss) and comprehensive income (loss) as determined in accordance with GAAP as an indicator of the Company's performance. 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 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 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 efficient the Company is in generating field level profits from its sales revenue. For a detailed description of InPlay's method of the calculation of operating income, operating netback per boe and operating income profit margin and their reconciliation to the nearest GAAP term, refer to the section "Non-GAAP Measures" in the Company's MD&A filed on SEDAR.

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: production estimates including 2019 annualized and exit forecasts; targeted production growth; light oil and liquids weighting forecasts; future oil and natural gas prices; future liquidity and financial capacity; future results from operations and operating metrics; 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 program, the number of wells to be drilled, completed and tied-in and the timing thereof; the amount and timing of capital projects; our belief that we will deliver top tier returns and capital efficiencies and 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; 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: 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.