InPlay Oil Corp. Announces Third Quarter 2020 Financial and Operating Results

November 12, 2020 - 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 nine months ended September 30, 2020. InPlay's condensed unaudited interim financial statements and notes, as well as management's discussion and analysis ("MD&A") for the three and nine months ended September 30, 2020 will be available at "www.sedar.com" and our website at "www.inplayoil.com". An updated presentation will also be available on our website early next week.

Third Quarter 2020 Financial & Operations Results

Production averaged 3,742 boe/d (69% oil & liquids) in the third quarter of 2020 up 19% compared to the second quarter of 2020 which averaged 3,154 boe/d (66% oil & liquids). As commodity prices began to recover during the third quarter of 2020 the Company gradually eased temporary production curtailments and shut-ins implemented as a response to the commodity price capitulation due to the COVID-19 pandemic. Increasing production throughout the third quarter resulted in average production of 4,268 boe/d (70% oil & liquids) in September 2020. Currently there is approximately 245 boe/d (80% oil and liquids) including roughly 110 boe/d of non-operated production that is still shut in and requiring servicing that does not yet meet our payout criteria. As crude oil prices continue to recover the majority of this production is expected to be brought back onstream.

While oil prices have begun to recover from unprecedented lows experienced during the second quarter of 2020, low commodity prices continued to impact the Company's financial performance during the third quarter. West Texas Intermediate ("WTI") prices averaged $40.93 USD/bbl compared to $27.85 USD/bbl in the second quarter of 2020 and $56.45 USD/bbl during the third quarter of 2019. Natural gas prices however were stronger in relation to 2019 with natural gas AECO daily index prices increasing 147% averaging $2.12/GJ in the third quarter of 2020 compared to $0.86/GJ in the third quarter of 2019. Despite weak crude oil prices InPlay still generated adjusted funds flow ("AFF") of $2.0 million during the third quarter of 2020 representing a 227% improvement relative to the second quarter of 2020.

The Company continued to perform extremely well operationally in a very challenging environment. As a result of initiatives in response to COVID-19 to reduce costs and scale back discretionary expenditures, the Company achieved lower total operating and general and administrative ("G&A") costs during the third quarter of 2020 of $5.0 million and $0.9 million respectively compared to $6.3 million and $1.6 million in the third quarter of 2019. The Company started incurring costs associated with servicing wells that went down and despite the presence of fixed costs being incurred over a significantly lower production base, InPlay's aggressive cost cutting campaign resulted in only a minor increase in operating expenses per boe ($14.42 in Q3 2020 vs. $13.47 in Q3 2019) and an impressive reduction in G&A per boe ($2.74 in Q3 2020 vs. $3.34 in Q3 2019). This reduction in the third quarter of 2019 included $0.2 million from the Canada Emergency Wage Subsidy ("CEWS"). Amounts received from the CEWS program in the fourth quarter and going forward are expected to be negligible.

Fourth Quarter Activities Update

Business Development Bank of Canada ("BDC") Term Facility

As announced on November 2, 2020 the Company finalized the definitive agreements with the Business Development Bank of Canada ("**BDC**") and our current syndicate of lenders providing a $25 million non-revolving, second lien senior secured four-year term loan facility (the "**BDC Term Facility**") maturing on October 30, 2024. The term loan was fully funded to the Company on November 2, 2020 and the proceeds will be used by InPlay for working capital and general corporate purposes. This program was implemented to provide pre-COVID viable companies with liquidity to enable a return to pre-COVID production and reserve levels in a normal crude oil pricing environment and we are proud of the fact that we acted quickly and were the first oil and gas Company to successfully close a financing under the BDC program. We feel this demonstrates the support and belief that BDC and our other senior lenders have in InPlay to return to pre-COVID production levels and to achieve long term financial stability and growth.

Strategic Cardium Asset Acquisition

Also as previously announced, the Company successfully closed a strategic acquisition in our core Pembina Cardium area of operations for a total cost of approximately $1.9 million (net of adjustments) adding the following to our Pembina asset base:

- Current production of approximately 240 boe/d (63% oil and liquids) with a base decline rate of approximately 10%.
- Proved Developed Producing Reserves **("PDP"**) of over 1,000 Mboe (assigned by the seller's independent external reserve evaluator effective January 1, 2020).
- PDP reserve acquisition metrics of approximately $1.90/BOE.
- All lands are 100% working interest Crown land providing InPlay total control over pace of development.
- Approximately 11 sections (7,040 net acres) of land and a potential drilling inventory of over 30 locations with 23 net tier-1 Extended Reach Horizontal **("ERH")** locations identified by InPlay.
- Production acquisition metrics of approximately $7,900 boe/d.
- Net Operating Income acquisition metrics of approximately 1.0 times based on 2019 operating income.

InPlay is excited about this acquisition as we believe it provides potential for upside similar to our recent successful results in Pembina that have exceeded our production expectations and which also included drilling three of industry's fastest one-mile wells in the play to date with our top pacesetter well being drilled in 4.1 days. Based on cost reductions, technological improvements in all of our operations and the strong recent production results in Pembina, this asset immediately competes with our top-tier locations in terms of potential economics and strong returns.

Financial and Operating Results:

(CDN) ($000's)	Three months ended September 30		Nine months ended September 30	
	2020	**2019**	**2020**	**2019**
Financial				
Oil and natural gas sales	10,846	17,395	29,105	56,600
Funds flow	1,768	6,397	3,607	23,391
Per share – basic and diluted	0.03	0.09	0.05	0.34
Per boe	5.14	13.69	3.38	17.14
Adjusted funds flow[(1)]	2,008	6,886	4,146	24,694
Per share – basic and diluted[(1)]	0.03	0.10	0.06	0.36
Per boe[(1)]	5.83	14.73	3.89	18.09
Comprehensive (loss)	(2,717)	(1,355)	(109,402)	(7,949)
Per share – basic and diluted	(0.04)	(0.02)	(1.60)	(0.12)
Exploration and development capital expenditures	382	8,082	12,502	27,533
Property acquisitions/(dispositions)	(5)	-	(265)	78
Net debt	(64,246)	(58,053)	(64,246)	(58,053)
Shares outstanding	68,256,616	68,256,616	68,256,616	68,256,616
Basic & diluted weighted-average shares	68,256,616	68,256,616	68,256,616	68,256,616
Operational				
Daily production volumes				
Crude oil (bbls/d)	1,973	2,580	1,976	2,680
Natural gas liquids (bbls/d)	598	748	655	639
Natural gas (Mcf/d)	7,029	10,509	7,572	10,085
Total (boe/d)	3,742	5,080	3,893	5,000
Realized prices				
Crude oil & NGLs ($/bbls)	39.51	54.17	34.23	57.96
Natural gas ($/Mcf)	2.32	0.84	2.13	1.48
Total ($/boe)	31.50	37.22	27.29	41.47
Operating netbacks ($/boe)[(1)]				
Oil and natural gas sales	31.50	37.22	27.29	41.47
Royalties	(2.29)	(3.55)	(2.09)	(3.49)
Transportation expense	(0.94)	(0.76)	(0.90)	(0.85)
Operating costs	(14.42)	(13.47)	(14.46)	(14.02)
Operating netback	13.85	19.44	9.84	23.11
Realized gain (loss) on derivative contracts	(2.18)	0.00	(0.99)	0.02
Operating netback (including realized derivative contracts)	11.67	19.44	8.85	23.11

(1) "Adjusted funds flow" or "AFF", "adjusted funds flow per share, basic and diluted", "adjusted funds flow 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" adjusts for decommissioning expenditures from funds flow. 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.

Outlook

Securing the BDC Term Facility, closing the strategic Cardium asset acquisition and implementing our fourth quarter 2020 capital program places the Company in a strong position and provides the Company with the liquidity required to return to pre-COVID levels of production, reserve values and revenues in a reasonable time frame alongside expected increasing commodity pricing. The Company will now be able to continue with its strategy of generating organic growth and free cash flow through our top-tier drilling inventory and pacesetting drilling results or potentially taking advantage of the current economic environment through strategic A&D activity. These actions complemented by our solid low decline asset base will support continued growth in production and free cash flow as commodity prices recover.

The fourth quarter of 2020 includes a planned development capital program that begins with the drilling of three 100% working interest ERH Cardium wells in Willesden Green and construction of the associated required infrastructure. The Company expected drilling to start by the end of October but the local County has implemented road bans that have delayed the start by approximately another two weeks. With the latest delay we now believe that it will be difficult to see production from these wells in 2020 but still anticipate annual average 2020 production close to 4,000 boe/d (approximately 68% oil & liquids). InPlay anticipates that its current base production along with the addition of production from the upcoming three wells will bring production back to 2019 pre-COVID levels of approximately 5,000 boe/d in the first quarter of 2021.

The Company has started planning its capital program for 2021 which will be determined through the balance of the current year and released in early 2021. The size of InPlay's 2021 capital program remains subject to expected crude oil demand recovery and resulting commodity pricing improvements. When drilling begins in 2021 current expectations are that it will start on our most recently acquired Pembina asset.

We would like to express our sincere appreciation to all our employees and our service providers for their sacrifices, commitments, and efforts in this unprecedented time. As well as gratitude to our Directors for their ongoing commitment and dedication to help us manage through this extremely difficult environment of which we believe we are now on the road to recovery. Finally, we thank all of our shareholders and lending partners for their continued interest and support toward the continued development and growth of the Company.

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Reader Advisories

Non-GAAP Financial Measures

Included in this press release are references to the terms "adjusted funds flow", "adjusted funds flow per share, basic and diluted", "adjusted funds flow per boe", "operating income", "operating netback per boe" and "operating income profit margin". 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, "funds flow", "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 "adjusted funds flow", "adjusted funds flow per share, basic and diluted", "adjusted funds flow per boe" and "free cash flow" as key performance indicators. 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. InPlay's determination of adjusted funds flow may not be comparable to that reported by other companies. Adjusted funds flow is calculated by adjusting for decommissioning expenditures from funds flow. This item is adjusted from funds flow as decommissioning expenditures are incurred on a discretionary and irregular basis and are primarily incurred on previous operating assets, making the exclusion of this item relevant in Management's view to the reader in the evaluation of InPlay's operating performance. Adjusted funds flow per share, basic and diluted is calculated by the Company as adjusted funds flow divided by the weighted average number of common shares outstanding for the respective period. Management considers adjusted funds flow per share, basic and diluted an important measure to evaluate its operational performance as it demonstrates its recurring operating cash flow generated attributable to each share. Adjusted funds flow per boe is calculated by the Company as adjusted funds flow divided by production for the respective period. Management considers adjusted funds flow 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, adjusted funds flow per share, basic and diluted and adjusted funds flow 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 net income 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 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 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. 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.

InPlay uses "free cash flow" as a key performance indicator. Free cash flow 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. Free cash flow is calculated by the Company as funds flow adjusting for decommissioning expenditures, less capital expenditures and is a measure of the cashflow remaining after capital expenditures that can be used for additional capital activity, repay debt or decommissioning expenditures. Management considers free cash 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.

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 anticipated impact of the BDC Term Facility including the expectation that it will support organic growth by providing the Company with additional liquidity; the potential attributes and impact of our recently completed Pembina acquisition; the Company's expectation that it will begin drilling on the Pembina acquisition assets commencing in early 2021; the belief that the Company should return to pre-COVID production and reserve levels within a reasonable time frame; production estimates including forecast 2020 average production; the planned Q4 2020 capital program; that the Company anticipates that its current base production along with the addition of production from the upcoming three wells will bring production back to 2019 pre-COVID levels of approximately 5,000 boe/d in the first quarter of 2021; expectations regarding future commodity prices; 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.

The internal projections, expectations or beliefs underlying the Company's 2020 capital budget, associated guidance and corporate outlook for 2020 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 2020 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 2020 and beyond. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted and InPlay's 2020 guidance and outlook may not be appropriate for other purposes.

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 duration and impact of COVID-19; 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.

Drilling Locations and Reserve Estimates

This press release discloses unbooked drilling locations associated with our Pembina asset acquisition assets. Unbooked locations are internally identified potential drilling locations based on prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Unbooked locations have been identified by management as an estimation of the Company's potential multi-year drilling activities based on evaluation of applicable geologic, seismic, and engineering, production and reserves information. There is no certainty that the InPlay will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which InPlay actually drills wells will depend upon the availability of capital, regulatory approvals, seasonal natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by either InPlay restrictions, other industry participants drilling existing wells in relative close proximity to such unbooked drilling locations, certain unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir. Therefore, there is uncertainty whether wells will be drilled in such unbooked locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

The reserve estimates provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Reserves included herein are stated on a company gross basis (working interest before deduction of royalties without including any royalty interests) unless noted otherwise. In relation to the disclosure of estimates for individual properties or subsets thereof, including the acquired assets, such estimates may not reflect the same confidence level as estimates of reserves for all properties, due to the effects of aggregation.

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.