InPlay Oil

Financial Statements

For the three months ended March 31, 2024

Statements of Financial Position

(unaudited)

(Thousands of Canadian dollars)	Note	**March 31, 2024**	December 31, 2023
ASSETS			
Current assets			
Accounts receivable and accrued receivables	20	**17,465**	19,113
Prepaid expenses and deposits		**4,929**	4,849
Inventory		**6,289**	8,885
Derivative contracts	20	**-**	206
Total current assets		**28,683**	33,053
Property, plant and equipment, net	5, 6	**411,910**	405,516
Exploration and evaluation	7	**12,056**	12,030
Right-of-use asset	8	**3,692**	3,931
Deferred tax	11	**17,867**	18,426
Total assets		**474,208**	472,956
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	20	**37,232**	31,365
Lease liability	8	**420**	304
Decommissioning obligation	10	**3,593**	3,593
Deferred share unit liability	14	**315**	378
Derivative contracts	20	**586**	-
Total current liabilities		**42,146**	35,640
Bank debt	9	**51,348**	47,161
Lease liability	8	**3,636**	3,821
Decommissioning obligation	10	**84,190**	91,982
Total long term liabilities		**139,174**	142,964
Total liabilities		**181,320**	178,604
Shareholders' equity			
Share capital	12	**266,259**	266,701
Contributed surplus	14	**20,920**	19,530
Retained earnings		**5,709**	8,121
Total shareholders' equity		**292,888**	294,352
Total liabilities and shareholders' equity		**474,208**	472,956
Commitments	21		

The above Statements of Financial Positions should be read in conjunction with the accompanying notes.

On behalf of the Board of Directors:

(signed) "Steve Nikiforuk"
Steve Nikiforuk
Director

(signed) "Doug Bartole"
Doug Bartole
Director

Statements of Profit and Comprehensive Income

(unaudited)

(Thousands of Canadian dollars, except per share amounts)	Note	Three Months Ended March 31	
		2024	2023
Oil and natural gas sales	16	**37,997**	45,301
Royalties		**(4,527)**	(7,653)
Revenue		**33,470**	37,648
Gain (loss) on derivative contracts	16	**(566)**	1,879
Revenue and gain (loss) on derivative contracts		**32,904**	39,527
Operating expenses		**12,030**	11,935
Transportation expenses		**857**	743
Exploration and evaluation expenses	7	**-**	157
General and administrative expenses	17	**2,432**	2,501
Share-based compensation	14	**1,150**	762
Depletion and depreciation	5, 8	**11,668**	11,747
Finance expenses	18	**2,522**	1,859
Total expenses		**30,659**	29,704
Profit before tax		**2,245**	9,823
Deferred income tax expense	11	**559**	532
Profit and comprehensive income		**1,686**	9,291
PROFIT PER COMMON SHARE			
Basic	15	**0.02**	0.11
Diluted	15	**0.02**	0.10

The above Statements of Profit and Comprehensive Income should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

(unaudited)

(Thousands of Canadian dollars, except share amounts)	Note	Number of Common Shares (net of shares in trust)	Share capital	Contributed surplus	Retained Earnings (Deficit)	Total shareholders' equity
Balance at December 31, 2022		86,952,601	263,280	18,237	(8,458)	273,059
Share-based compensation	14	-	-	956	-	956
Option exercises	14	2,125,500	2,628	(827)	-	1,801
Profit for the period		-	-	-	9,291	9,291
Dividends	13	-	-	-	(3,973)	(3,973)
Shares purchased and held in trust	12, 14	(215,300)	(599)	-	-	(599)
Repurchase of common shares	12	(90,000)	(495)	52	-	(443)
Balance at March 31, 2023		88,772,801	264,814	18,418	(3,140)	280,092
Balance at December 31, 2023		90,307,765	266,701	19,530	8,121	294,352
Share-based compensation	14	-	-	1,433	-	1,433
Option exercises	14	62,200	95	(31)	-	64
Profit for the period		-	-	-	1,686	1,686
Dividends	13	-	-	-	(4,098)	(4,098)
Shares purchased and held in trust	12, 14	(255,075)	(549)	-	-	(549)
Shares released from trust on vesting of share awards	12	4,466	12	(12)	-	-
Balance at March 31, 2024		**90,119,356**	**266,259**	**20,920**	**5,709**	**292,888**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Statements of Cash Flows

(unaudited)

(Thousands of Canadian dollars)		Three Months Ended March 31	
Cash flows provided by (used in):		**2024**	2023
OPERATING ACTIVITIES			
Profit for the period		**1,686**	9,291
Non-cash items:			
Depletion and depreciation	5	**11,668**	11,747
Unrealized loss (gain) on derivative contracts	16	**792**	(1,879)
Accretion on decommissioning obligation	10	**720**	730
Share-based compensation	14	**1,100**	718
Exploration expense	7	**-**	157
Deferred income tax expense	11	**559**	532
Decommissioning expenditures	10	**(522)**	(900)
Funds flow		**16,003**	20,396
Net change in non-cash working capital	19	**3,049**	1,828
Net cash flow provided by operating activities		**19,052**	22,224
FINANCING ACTIVITIES			
Principal portion of finance lease payments	8	**(69)**	(119)
Proceeds from exercise of stock options	14	**64**	1,801
Dividends	13	**(4,098)**	(3,973)
Shares purchased and held in trust	12, 14	**(549)**	(599)
Repurchase of common shares	12	**-**	(443)
Increase in bank debt	9	**4,186**	2,101
Net cash flow (used in) financing activities		**(466)**	(1,232)
INVESTING ACTIVITIES			
Capital expenditures – Property, plant and equipment	5	**(25,504)**	(29,568)
Capital expenditures – Exploration and evaluation	7	**(26)**	(32)
Property dispositions (acquisitions)	5	**25**	(327)
Net change in non-cash working capital	19	**6,919**	8,935
Net cash flow (used in) investing activities		**(18,586)**	(20,992)
Increase (decrease) in cash and cash equivalents		**-**	-
Cash and cash equivalents, beginning of the period		**-**	-
Cash and cash equivalents, end of the period		**-**	-
Interest paid in cash		**1,803**	**1,128**

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

(unaudited)

MARCH 31, 2024 AND MARCH 31, 2023

1. CORPORATE INFORMATION

InPlay Oil Corp. ("**InPlay**" or the "**Company**") is actively engaged in the acquisition, exploration and development of petroleum and natural gas properties, and the production and sale of crude oil, natural gas and natural gas liquids. InPlay is a publicly traded company incorporated and domiciled in Alberta, Canada. InPlay's common shares are listed on the Toronto Stock Exchange (the "**TSX**") and trade under the symbol IPO. InPlay's corporate office is located at 2000, 350 - 7th Avenue SW, Calgary, Alberta, its registered office is located at 2400, 525 - 8th Avenue SW, Calgary, Alberta, and its petroleum and natural gas operations are located in the Province of Alberta.

2. BASIS OF PRESENTATION

Compliance with IFRS

These condensed financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**"), applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. Certain disclosures included in the notes to the annual financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed unaudited interim financial statements should be read in conjunction with the audited annual financial statements as at and for the year ended December 31, 2023.

The financial statements were approved and authorized for issuance by the Board of Directors on May 8, 2024.

3. SUMMARY OF ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

In preparing these condensed unaudited interim financial statements, the accounting policies made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the year ended December 31, 2023, except as noted below.

Changes in accounting policies

The following accounting policy was adopted during the three months ended March 31, 2024.

(i) IAS 1 "Presentation of Financial Statements"

The Company has adopted, as of January 1, 2024, the amendments to IAS 1 Presentation of Financial Statements as issued by the IASB in January 2020 and October 2022. These amendments clarify the requirements for the presentation of liabilities as current or non-current in the statements of financial position depending on the existence of the substantive right at the end of the reporting period for an entity to defer settlement of the liability for at least twelve months after the reporting period, and specify the classification and disclosure of a liability is not affected by covenants to be complied with after the reporting date. The impact of this amendment did not have a material impact on the Company's financial statements.

Future accounting pronouncements not yet adopted

The Company has reviewed the following reporting and accounting standard that has been issued, but is not yet effective:

(i) IFRS 18 "Presentation and Disclosure in Financial Statements"

The IASB has issued IFRS 18 – Presentation and Disclosure in Financial Statements to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1, impacts the presentation of primary financial statements and notes, mainly the income statement where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. IFRS 18 will require management-defined performance measures to be explained and included in a separate note within the financial statements. The standard is effective for financial statements beginning on January 1, 2027, including interim financial statements and requires retrospective application. The Company is currently assessing the impact of this standard.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In preparing these condensed unaudited interim financial statements, the methods of computation and significant judgements, estimates and assumptions made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the year ended December 31, 2023.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

5. PROPERTY, PLANT AND EQUIPMENT

Cost ($'000s)	**Total**
Balance at December 31, 2022	670,596
Additions	85,385
Additions/revisions to decommissioning obligation	5,862
Transfer from exploration and evaluation assets	42
Balance at December 31, 2023	761,885
Additions	25,837
Additions/revisions to decommissioning obligation	(7,436)
Dispositions	(1,064)
Balance at March 31, 2024	**779,222**

Accumulated Depletion ($'000s)	**Total**
Balance at December 31, 2022	309,025
Depletion and depreciation[(1)]	47,344
Balance at December 31, 2023	356,369
Depletion and depreciation[(1)]	11,429
Dispositions	(486)
Balance at March 31, 2024	**367,312**

(1) Excludes $0.4 million of depreciation relating to Right-of-use assets (December 31, 2023: $0.6 million).

Net book value ($'000s)	Total
At December 31, 2023	405,516
At March 31, 2024	**411,910**

For the three months ended March 31, 2024, additions to property, plant and equipment included capitalized general and administrative expenses of $0.5 million (March 31, 2023 - $0.5 million) and costs related to share-based compensation of $0.3 million (March 31, 2023 - $0.2 million). Future development costs in the amount of $495 million were included in the depletion calculation for the three months ended March 31, 2024 (March 31, 2023 - $504 million).

6. IMPAIRMENT

At March 31, 2024 there were no indicators of impairment as the deficiency between the Company's net assets and market capitalization improved since the last impairment test was performed at December 31, 2023. As of December 31, 2023, all previously recorded impairments had been fully reversed.

Indicators of impairment relating to Property, plant and equipment were considered to exist as at December 31, 2023 as the Company's net assets were greater than its market capitalization. Impairment tests were performed for the Company's CGU which did not result in an impairment loss being recorded in the Company's statements of profit and comprehensive income. The Company measured the fair value less costs of disposal of the CGU whereby the net present value of the after tax future cash flows were calculated using a discount rate of 13%. The future cash flows were based on level 3 fair value hierarchy inputs: the Company's reserves prepared by its independent reserves evaluator, including key assumptions regarding the discount rate, expected future rates of production, future commodity prices, operating expenses, and future development costs.

If the discount rate used was one percent higher, no impairment would have been recorded for the year ended December 31, 2023. If the commodity prices used in the impairment tests were five percent lower, no impairment would have been recorded for the year ended December 31, 2023.

The following table shows the benchmark commodity prices used in the impairment calculation of Property, plant and equipment at December 31, 2023 of which are based on an average of independent reserve evaluator pricing estimates.

	Light, Sweet Crude Edmonton ($Cdn/bbl)	AECO Gas Price ($Cdn/MMBtu)
Year	**December 31 2023**	**December 31, 2023**
2024	**92.91**	**2.20**
2025	**95.04**	**3.37**
2026	**96.07**	**4.05**
2027	**97.99**	**4.13**
2028	**99.95**	**4.21**
2029	**101.94**	**4.30**
2030	**103.98**	**4.38**
2031	**106.06**	**4.47**
2032	**108.18**	**4.56**
2033	**110.35**	**4.65**

7. EXPLORATION AND EVALUATION

($'000s)	March 31, 2024	December 31, 2023
Opening balance	**12,030**	**13,703**
Additions	**26**	**108**
Acquisitions	**-**	**327**
Transfers to property, plant and equipment	**-**	**(42)**
Transfers to exploration and evaluation expense	**-**	**(2,066)**
Ending balance	**12,056**	**12,030**

At March 31, 2024, the Company evaluated its remaining Exploration and evaluation assets for indicators of any potential impairment. As a result of this assessment, no indicators were identified and no additional impairment was recorded relating to the Company's Exploration and evaluation assets.

8. LEASES

8(a) Right-of-use asset

($'000s)	March 31, 2024	December 31, 2023
Opening balance	**3,931**	**314**
Additions	**-**	**4,229**
Depreciation	**(239)**	**(612)**
Ending balance	**3,692**	**3,931**

8(b) Lease liability

The following table details the movement in lease liabilities for the year ended December 31, 2023 and the three months ended March 31, 2024.

($'000s)	Total
Balance at December 31, 2022	320
Additions	4,229
Repayments	(993)
Interest	569
Balance at December 31, 2023	4,125
Repayments	**(398)**
Interest	**329**
Balance at March 31, 2024	**4,056**
Expected to be incurred within one year	**420**
Expected to be incurred beyond one year	**3,636**

The Company does not have any lease contracts that are entered into by a joint arrangement, or on behalf of the joint arrangement, at March 31, 2024.

9. BANK DEBT

($'000s)	March 31, 2024	December 31, 2023
Credit Facility	**51,348**	47,161
Total Bank Debt	**51,348**	47,161

On June 14, 2023, the Company renewed its senior credit facility (the "**Credit Facility**"). The Credit Facility has a borrowing base of $110 million and consists of a $95 million revolving line of credit and a $15 million operating line of credit. The Credit Facility has a term out date of June 30, 2024, and if not extended, additional advances would not be permitted and any outstanding advances would become repayable one year later on June 30, 2025. The Credit Facility is secured by a floating charge debenture of $150 million and a general security agreement on the assets of the Company. At March 31, 2024, the Company had drawn $51.3 million on the Credit Facility. There are standard reporting covenants under the Credit Facility and no financial covenants. The Company was in compliance with these standard reporting covenants as at March 31, 2024.

Under the Credit Facility, advances can be drawn as prime rate loans and bear interest at the bank's prime lending rate plus interest rates between 2.00% and 5.50%. Advances may also be drawn as banker's acceptances, Secured Overnight Finance Rate ("SOFR") loans, and letters of credit, subject to Canadian Dollar Offered Rate ("CDOR") plus margins ranging from 3.00% to 6.50%. These interest rates, fees and margins vary based on adjusted debt to earnings metrics determined at each quarter end for the preceding 12 months.

The available lending limit of the Credit Facility is scheduled for annual renewal on or before June 30, 2024 and is based on the Lenders' interpretation of the Company's oil and natural gas reserves and future commodity prices. There can be no assurance that the amount or terms of the Credit Facility will not be adjusted at the next annual review. In the event that the lenders reduce the borrowing base under the Credit Facility below the amount drawn at the time of the redetermination, the Company would have 60 days to eliminate any borrowing base shortfall by repaying the amount drawn in excess of the re-determined borrowing base or by providing additional security or other consideration satisfactory to the lenders. Repayments of principal are not required provided that the borrowings under the Credit Facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties.

10. DECOMMISSIONING OBLIGATION

($'000s)	**March 31, 2024**	December 31, 2023
Opening balance	**95,575**	**90,059**
Provisions incurred	**631**	**1,334**
Provisions settled	**(522)**	**(3,298)**
Dispositions	**(554)**	**-**
Change in estimates	**(8,067)**	**4,529**
Accretion expense	**720**	**2,951**
Ending balance	**87,783**	**95,575**
Expected to be incurred within one year	**3,593**	**3,593**
Expected to be incurred beyond one year	**84,190**	**91,982**

The Company used an inflation rate of 2.5% per annum (December 31, 2023 – 2.5%) until settlement of the decommissioning obligation, which is assumed to occur over the next 7 to 55 years, to determine the future estimated cash flows. The net present value of the future estimated cash flows have been determined using risk-free discount rates of 3.3% to 3.5% depending on the estimated timing of the future settlement of the obligations (December 31, 2023 – 3.0% to 3.1%). The total inflation adjusted undiscounted amount of estimated future cash flows required to settle the decommissioning obligation at March 31, 2024 was approximately $224.0 million (December 31, 2023 - $224.8 million). The total uninflated undiscounted amount of estimated future cash flows required to settle the decommissioning obligation at March 31, 2024 was approximately $109.3 million (December 31, 2023 - $109.7 million).

11. INCOME TAX

The following table reconciles the income tax expense calculated using the statutory tax rates to the income tax expense per the statement of profit and comprehensive income:

($'000s)	Three Months Ended March 31	
	2024	2023
Profit before tax	**2,245**	9,823
Expected income tax rate	**23%**	23%
Expected income tax expense	**516**	2,259
Increase (decrease) in income taxes resulting from:		
Non-taxable permanent differences – stock based comp.	**37**	167
Other	**6**	2
Revaluation of deferred tax asset	**-**	(1,896)
Deferred income tax expense	**559**	532

The following gross deductions are available for deferred income tax purposes:

($'000s)	**March 31, 2024**	December 31, 2023
Non-capital loss carryforward balances	**103,433**	102,879
Share issue costs	**497**	524
Canadian Exploration Expenses (CEE)	**64,773**	64,773
Canadian Development Expenses (CDE)	**103,564**	93,924
Canadian Oil and Gas Property Expenses (COGPE)	**99,394**	101,967
Undepreciated Capital Cost (UCC)	**46,556**	43,572
Total	**418,217**	407,639

The Company's non-capital losses will begin to expire between 2036 and 2043. With the exception of the temporary differences related to the derivative contract gain, the Company does not expect any deferred tax assets or liabilities to reverse within the next twelve months.

The Company recognized deferred tax assets to the extent that it is probable that the future benefit will be realized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. As a result of changes in future cashflows, deferred income tax expense was credited by $nil during the three months ended March 31, 2024 (March 31, 2023 - $1.9 million) with a corresponding impact to the deferred tax asset. At March 31, 2024, the Company had $2.5 million of unrecognized deferred tax asset (December 31, 2023 - $2.5 million).

12. SHARE CAPITAL

Outstanding share capital consists of an unlimited number of voting common shares.

	Number of Common Shares (net of shares in trust)	Amount ($'000s)
Balance at December 31, 2022	86,952,601	263,280
Issued on exercise of options	4,090,500	5,027
Shares purchased and held in trust	(998,500)	(2,595)
Shares released from trust on vesting of share awards	396,673	1,396
Repurchase of common shares	(133,509)	(407)
Balance at December 31, 2023	90,307,765	266,701
Issued on exercise of options	**62,200**	**95**
Shares purchased and held in trust	**(255,075)**	**(549)**
Shares released from trust on vesting of share awards	**4,466**	**12**
Balance at March 31, 2023	**90,119,356**	**266,259**

On November 10, 2023, the Company announced that the Toronto Stock Exchange had accepted the notice of the Company's intention to renew its Normal Course Issuer Bid ("**NCIB**"). Pursuant to the NCIB, the Company is permitted to purchase up to 6,637,064 common shares representing approximately 10% of its public float as at October 31, 2023 over a twelve month period commencing November 14, 2023. During the three months ended March 31, 2024, the Company did not purchase any common shares for cancellation.

13. DIVIDENDS

The Company's Board of Directors approved the implementation of a monthly base cash dividend of $0.015 per share commencing in November 2022 which resulted in the payment of $4.1 million in dividends during the three months ended March 31, 2024 (March 31, 2023 - $4.0 million).

Subsequent to March 31, 2024, the Board of Directors approved and declared monthly cash dividends of $0.015 per share, designated as eligible dividends, payable to shareholders of record on April 15, 2024 and May 15, 2024. The dividend payment date for these dividends is April 30, 2024 and May 31, 2024.

14. SHARE-BASED COMPENSATION

14(a) Stock option plan

The Company has an incentive stock option plan pursuant to which options to purchase common shares may be granted to directors, officers, employees and service providers of the Company. The aggregate number of stock options that may be granted at any time under the plan shall not exceed 10% of the aggregate number of issued and outstanding common shares. The exercise price, terms of vesting and expiry date of stock options are fixed by the directors of the Company at the time of grant. All outstanding stock options vest over a three year period, or otherwise in accordance with the stock option plan, and expire five years from the date of grant. Share-based compensation expense associated with options is determined based on the fair value of the award at grant date and is recognized over the vesting period using a graded vesting approach. The directors of the Company may amend, alter or revise the terms and conditions of the stock option plan or of any outstanding stock options, subject to the terms of the plan.

	Number of options	Weighted avg. remaining life (years)	Weighted avg. exercise price
Outstanding at December 31, 2022	6,328,450	2.44	1.17
Granted during the year	542,430	4.44	2.53
Exercised during the year	(4,090,500)	1.50	0.84
Forfeited during the year	(81,500)	3.28	2.63
Outstanding at December 31, 2023	2,698,880	2.84	1.89
Exercised during the period	**(62,200)**	**0.58**	**1.03**
Outstanding at March 31, 2024	**2,636,680**	**2.64**	**1.91**
Exercisable at March 31, 2024	**1,492,950**	**1.89**	**1.33**

Share-based compensation in the amount of $0.1 million was recognized in the three months ended March 31, 2024 (March 31, 2023 - $0.2 million) relating to stock options, in addition to $0.1 million (March 31, 2023 - $0.1 million) of capitalized stock based compensation recognized for three months ended March 31, 2024, all with a corresponding credit to contributed surplus.

14(b) Deferred share unit ("DSU") plan

The Company has implemented a deferred share unit plan under which DSUs may be granted to non-employee directors of the Company. All outstanding DSUs vest evenly over a three year period. Awards are settled in cash at each vesting date and the value is determined by the Company's share price on the vesting date.

	Number of DSUs
Outstanding at December 31, 2022	357,909
Vested during the year	(168,303)
Outstanding at December 31, 2023	189,606
Vested during the period	**(50,001)**
Outstanding at March 31, 2024	**139,605**

Cash payments in the amount of $0.1 million (March 31, 2023 - $0.4 million) were made during the three months ended March 31, 2024 relating to DSUs vesting during the period. Share-based compensation in the amount of $0.05 million was recognized in the three months ended March 31, 2024 (March 31, 2023 - $0.05 million) relating to DSUs, with a corresponding credit to Deferred share unit liability.

14(c) Restricted and Performance Award Incentive Plan

In 2022, the Company implemented a Restricted and Performance Award Incentive Plan ("**RPAP**") under which Restricted Awards ("**RAs**") and Performance Awards ("**PAs**") may be granted to directors, officers, employees, consultants or other service providers of the Company. Each RA and PA entitles the holder to an award value vesting evenly over a three year period. The award value of PAs is adjusted for a payout multiplier which can range from 0.0 to 2.0 and is dependent on the performance of the Company relative to pre-defined corporate performance measures for a particular period. A payout multiplier of 1.0 was approved by the Board of Directors for 2022. A payout multiplier of 1.4 was approved by the Board of Directors for 2023. The corporate performance measures are based upon certain financial and operating results of the Company as pre-determined by the Board, including shareholder returns relative to the Company's peer group, leverage ratios, adjusted funds flow per share in excess of capital expenditures, reserve recycle ratios, production per share growth and execution of the Company's corporate strategy. The Company, at its discretion, is eligible to settle the award value of vesting RAs and PAs either in cash or in common shares acquired by an independent trustee in the open market. The RPAP includes a value make whole provision to all RA and PA holders when dividends are issued to shareholders. The dividend equivalent provision compensates RA and PA holders with additional RAs or PAs equal to the value of the dividends paid on a per unit basis on the dividend payment date.

	Number of RAs	Number of PAs
Outstanding at December 31, 2022	735,749	428,710
Granted during the period	772,095	489,700
Dividend make-whole adjustment	82,181	50,066
Vested during the period	(245,791)	(150,882)
Forfeited during the period	(55,897)	(33,438)
Outstanding at December 31, 2023	1,288,337	784,156
Granted during the period	29,000	-
Dividend make-whole adjustment	23,937	14,397
Vested during the period	(4,466)	-
Payout multiplier adjustment	-	179,957
Outstanding at March 31, 2024	**1,336,808**	**978,510**

For the three months ended March 31, 2024, the independent trustee purchased 255,075 common shares for a total cost of $0.5 million and as at March 31, 2024, the trustee held 949,736 common shares in trust. Share-based compensation in the amount of $0.9 million was recognized in the three months ended March 31, 2024 (March 31, 2023 - $0.5 million) relating to RAs and PAs, in addition to $0.3 million (March 31, 2023 - $0.1 million) of capitalized stock based compensation recognized for the three months ended March 31, 2024, all with a corresponding credit to contributed surplus.

For the three months ended March 31, 2024, upon the vesting and settlement of 4,466 (December 31, 2023 – 245,791) RAs and nil (December 31, 2023 – 150,882) PAs, when taking into account the earned multipliers for PAs, 4,466 (December 31, 2023 – 396,673) common shares were released from trust.

15. PROFIT PER COMMON SHARE

($'000s except per share amounts)	Three Months Ended March 31	
	2024	2023
Profit for the period	**1,686**	9,291
Weighted average number of common shares (basic)	**90,194,552**	87,908,075
Weighted average number of common shares (diluted)(1)(2)(3)	**91,851,224**	90,425,837
Basic profit per common share	**0.02**	0.11
Diluted profit per common share	**0.02**	0.10

(1) A total of 1,075,630 options are excluded from the per share calculations as they are anti-dilutive. (March 31, 2023 – 572,200 options).

(2) The impact of the 949,736 shares held in trust are included in the per share calculations for the three months ended March 31, 2024 as they are dilutive (March 31, 2023 – 312,600).

(3) A total of 1,336,808 RAs (March 31, 2023 – 748,249) and 978,510 PAs (March 31, 2023 – 428,710) are excluded from the per share calculations as they are anti-dilutive.

16. REVENUE AND DERIVATIVE CONTRACTS

($'000s)	Three Months Ended March 31	
	2024	2023
Oil sales	**28,122**	33,146
Natural Gas sales	**5,316**	6,920
NGL sales	**4,559**	5,235
Total	**37,997**	45,301
Changes in fair value of derivative contracts:		
Realized gain on derivative contracts	**226**	-
Unrealized gain (loss) on derivative contracts	**(792)**	1,879
Gain (loss) on derivative contracts	**(566)**	1,879

17. GENERAL AND ADMINISTRATIVE EXPENSES

($'000s)	Three Months Ended March 31	
	2024	2023
Gross general and administrative	**3,047**	3,202
Capital G&A and recoveries	**(615)**	(701)
General and administrative expense	**2,432**	2,501

18. FINANCE EXPENSE

($'000s)	Three Months Ended March 31	
	2024	2023
Interest expense (Credit Facility and other)	**1,473**	1,111
Interest expense (Lease liabilities)	**329**	18
Accretion expense on decommissioning obligation	**720**	730
Finance expense	**2,522**	1,859

19. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital is comprised of:

($'000s)	Three Months Ended March 31	
	2024	2023
Source (use) of cash		
Accounts receivable and accruals	**1,648**	502
Prepaid expenses, deposits and inventory	**2,516**	1,959
Accounts payable and accruals	**5,867**	8,678
Deferred share unit liability	**(63)**	(376)
	9,968	10,763
Related to operating activities	**3,049**	1,828
Related to investing activities	**6,919**	8,935
	9,968	10,763

20. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Company has exposure to credit, liquidity and market risk from its use of financial instruments. This note presents information about the Company's exposure to these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Management of InPlay has overall responsibility for identifying the principal risks of the Company and ensuring the policies and procedures are in place to appropriately manage these risks. InPlay's management identifies, analyzes and monitors risks and considers the implication of the market condition in relation to the Company's activities.

20(a) Fair value of financial instruments

Financial instruments comprise cash and cash equivalents, accounts receivable and accrued receivables, derivative contracts, accounts payable and accrued liabilities and bank debt.

The carrying amounts for cash and cash equivalents, accounts receivable and accrued receivables, and accounts payable and accrued liabilities are reasonable approximations of their respective fair values due to the short-term maturities of those instruments. Bank debt's carrying amount is also a reasonable approximation of its fair value as it is variable rate debt with similar terms to what would be available as of the statement of financial position date.

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the nature of inputs used to value the instrument:

- Level 1 – observable inputs such as quoted prices in active markets;
- Level 2 – inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and
- Level 3 – one or more of the significant inputs is not based on observable market data exists.

The fair values of the derivative contracts used for risk management as at March 31, 2024 and December 31, 2023 were measured using level 2 observable inputs, including quoted prices received from financial institutions based on published forward price curves as at the measurement date, using the remaining contracted oil and natural gas volumes.

During the three months ended March 31, 2024 and March 31, 2023, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

20(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint operations partners and petroleum and natural gas customers.

Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. When production is not taken in kind payment comes from the common stream operator and facility operator in which payment is typically received on the 25th day of the month following production. InPlay's approach to mitigate credit risk associated with these balances is to maintain marketing relationships with large, established and reputable customers, common stream operators and facility operators that are considered to be creditworthy. InPlay has not experienced any collection issues with its current common stream and facility operators.

Joint operations receivables are typically collected within two to three months of the joint operations billing being issued to the partner. InPlay mitigates collection risk from joint operations receivables by obtaining partner approval of significant capital and operating expenditures prior to expenditure and, in certain circumstances, may collect cash deposits in advance of incurring financial obligations on behalf of joint operations partners. Joint operations receivables are from partners in the petroleum and natural gas industry who are subject to the risks and conditions of the industry. Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting joint operations receivables.

The Company does not typically obtain collateral from oil and natural gas customers or joint interest partners; however, the Company does have the ability to withhold production from joint interest partners in the event of non-payment. In addition, the Company has approximately $1.9 million in amounts owing to oil and natural gas customers or joint interest partners that could be withheld if collection issues were to occur.

Trade and other receivables are non–interest bearing and are generally on 25 to 90 day terms. The Company's expected credit loss as at March 31, 2024 was $0.5 million (December 31, 2023 - $0.5 million).

In determining the recoverability of trade and other receivables, InPlay considers the type and age of the outstanding receivables, the credit risk of the counterparties, and the recourse available to InPlay. The maximum exposure to credit risk for accounts receivable and accruals, net of expected credit loss at the reporting date by type of customer was:

	Carrying Amount	
($'000s)	**March 31, 2024**	December 31, 2023
Oil and natural gas customers	**12,760**	13,448
Joint operations partners	**3,434**	4,111
Accruals & Other	**1,271**	1,554
Total	**17,465**	19,113

The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable and accrued receivables. The expected credit losses below also incorporate forward looking information.

As of March 31, 2024 and December 31, 2023, the Company's accounts receivable and accrued receivables was aged as follows:

Aging ($'000s)	March 31, 2024	December 31, 2023
0 – 30 days	**14,421**	15,781
30- 90 days	**1,375**	2,028
Greater than 90 days	**2,152**	1,787
Expected credit loss	**(483)**	(483)
Total	**17,465**	19,113

The Company considers amounts outstanding greater than 90 days to be past due. Receivables normally collectible within 30 to 60 days can take longer as information requests and timing can come into effect in dealing with receivables from joint venture partners. At March 31, 2024 $2.1 million (December 31, 2023 - $1.8 million) in receivables were over 90 days due and considered past due.

Cash and cash equivalents, when held, consist of cash bank balances and short-term deposits which all mature in less than 90 days. InPlay only invests cash and enters into short-term deposits and derivative contracts with large established Canadian banks and avoids complex investment vehicles with higher risk.

20(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due.

To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. The Company uses authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures.

To provide capital when needed, the Company has a $110 million Credit Facility which is reviewed semi-annually by its lenders. The Credit Facility is described further in note 9.

The Company also attempts to match its payment cycle with collection of oil and natural gas revenue on the 25th of each month.

The following are the contractual maturities of non-derivative financial liabilities at March 31, 2024:

($'000s)	2024	2025	2026	2027	2028+
Non-derivative financial liabilities:					
Accounts payable and accrued liabilities	37,232	-	-	-	-
Bank loans – principal(1)	-	51,348	-	-	-
Bank loans – interest(2)	3,995	2,663	-	-	-
Lease liability	235	723	812	732	1,554
Total	41,462	54,734	812	732	1,554

(1) Assumes the Credit Facility is not renewed on June 30, 2024, whereby outstanding balances become due one year later on June 30, 2025.

(2) Assumes interest is incurred on bank debt outstanding on the Credit Facility at March 31, 2024 at the Company's effective interest rate during the current quarter and the principal balance is repaid June 30, 2025.

The following table shows the break-down of the Company's accounts payable and accrued liabilities:

($'000s)	March 31, 2024	December 31, 2023
Trade payables (3)	**21,955**	20,547
Joint operations partners	**3,303**	4,629
Accruals (4)	**11,974**	6,189
Total	**37,232**	31,365

(3) Includes all payables related to operations, including royalties payable.

(4) Accruals include amounts for goods and services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier as of the reporting date. These accruals relate to both operating and capital activities.

20(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, commodity price risk and interest rate risk. The Company is exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. Derivative instruments may be used to reduce exposure to these risks.

(i) Foreign currency exchange rate risk

The Company is exposed to the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. While substantially all of the Company's sales are denominated in Canadian dollars, the market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian dollar and the United States dollar. The Company had no forward exchange rate contracts in place as at March 31, 2024.

(ii) Commodity price risk

The Company is exposed to the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. The reference price for buyers and sellers of crude oil relevant to the Company's oil sales is West Texas Intermediate at Cushing, Oklahoma, USA ("**WTI**"), and the reference price for buyers and sellers of natural gas includes deals that are conducted anywhere within TransCanada's Alberta, Canada System, otherwise known as NOVA ("**AECO**"). Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined above, but also world economic events and North American processing and supply considerations that influence the levels of supply and demand.

InPlay manages the risks associated with changes in commodity prices by entering into financial derivative risk management contracts. The Company does not apply hedge accounting for these contracts. The Company does not enter into commodity contracts other than to manage the risk of commodity price fluctuation from the Company's expected commodity sales.

At March 31, 2024 the following commodity-based derivative contracts were outstanding and recorded at estimated fair value.

Type of contract: swap (natural gas pricing AECO):

Currency denomination	Volume (mcf/day)	Average swap price	Term	Fair value ($'000s CAD)
Canadian dollar	1,900	2.00/mcf	April 1, 2024 – October 31, 2024	$94

Type of contract: costless collar[1] (natural gas pricing AECO):

Currency denomination	Volume (mcf/day)	Bought put price	Sold call price	Term	Fair value ($'000s CAD)
Canadian dollar	1,900	2.06/mcf	2.48/mcf	Feb. 1, 2024 – Dec. 31, 2024	$34
Canadian dollar	1,900	2.11/mcf	3.06/mcf	Feb. 1, 2024 – March 31, 2025	$60
Canadian dollar	1,900	2.85/mcf	3.85/mcf	Nov. 1, 2024 – March 31, 2025	$6

(1) Costless collar indicates InPlay concurrently bought put and sold call options at strike prices such that the costs and premiums received offset each other, thereby completing the derivative contracts on a costless basis.

Type of contract: costless collar[2] (crude oil pricing WTI):

Currency denomination	Volume (bbl/day)	Bought put price	Sold call price	Term	Fair value ($'000s CAD)
US dollar	1,000	72.00/bbl	80.25/bbl	April 1, 2024 – June 30, 2024	($401)
Canadian dollar	500	95.00/bbl	110.00/bbl	Feb. 1, 2024 – March 31, 2024	-

(2) Costless collar indicates InPlay concurrently bought put and sold call options at strike prices such that the costs and premiums received offset each other, thereby completing the derivative contracts on a costless basis.

Type of contract: three-way collar[3] (crude oil pricing WTI):

Currency denomination	Volume (bbl/day)	Sold put price	Bought put price	Sold call price	Term	Fair value ($'000s CAD)
US dollar	1,000	64.00/bbl	74.00/bbl	82.48/bbl	July 1, 2024 – Dec. 31, 2024	($379)

(3) The WTI three-way collars are a combination high priced sold call, low priced sold put and a mid priced bought put. The high sold call price is the maximum price the Company will receive for the contract volumes. The mid bought put price is the minimum price InPlay will receive, unless the market price falls below the low sold put strike price, in which case InPlay receives market price plus the difference between the mid bought put price minus the low sold put price

The estimated fair value of the financial option contracts has been determined on the amounts the Company would receive or pay for another party to assume the contracts. At March 31, 2024, the Company estimates that it would pay $0.6 million to terminate these contracts.

An increase or decrease of $5.00 per barrel WTI of oil and $0.25 per Mcf AECO of natural gas would decrease the fair value of derivative contracts by $1.7 million and increase the fair value of derivative contracts by $1.5 million respectively as at March 31, 2024.

The fair value of the financial commodity risk management contracts at March 31, 2024 was a liability of $0.6 million (December 31, 2023 – asset of $0.2 million).

(iii) Interest rate risk

The Company is exposed to the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's primary exposure is related to its floating interest rate credit facility. The Company estimates that an increase or decrease of 1% in interest rates would result in a change in total annual interest expense on bank debt by approximately $0.1 million for the three months ended March 31, 2024 (March 31, 2023 - $0.1 million).

20(e) Capital management

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility which will allow it to execute an acquisition or to execute on its capital investment program, provide creditor and market confidence and to sustain the future development of the business.

At March 31, 2024, InPlay's capital structure includes shareholders' equity, bank debt and accounts payable and accrued liabilities less accounts receivable and accrued receivables, prepaid expenses and deposits and inventory. The Company manages its capital structure by continually monitoring its business conditions, including: changes in economic conditions, the risk profile of its drilling inventory, the efficiencies of past investments, the efficiencies of forecast investments and the timing of such investments, the forecast commodity prices and resulting cash flows.

InPlay's current capital structure is summarized below:

($'000s)	**March 31, 2024**	December 31, 2023
Bank debt	**51,348**	47,161
Accounts payable and accrued liabilities	**37,232**	31,365
Accounts receivable and accrued receivables, prepaid expenses and deposits and inventory	**(28,683)**	(32,847)
Net debt	**59,897**	45,679
Shareholders' equity	**292,888**	294,352
Total capitalization	**352,785**	340,031

In addition to the capital structure described above, internally generated adjusted funds flow also contributes to the Company's ability to maintain financial flexibility. Adjusted funds flow is calculated as funds flow before decommissioning expenditures. Adjusted funds flow for the three months ended March 31, 2024 and March 31, 2023 was as follows:

($'000s)	Three Months Ended March 31	
	2024	2023
Funds flow	**16,003**	20,396
Decommissioning expenditures	**522**	900
Adjusted funds flow	**16,525**	21,296

21. COMMITMENTS

21(a) Lease commitments

The Company has the following estimated annual obligations related to various leases. The minimum future payments for these leases are as follows:

($'000s)	**2024**	**2025**	**2026**	**2027**	**2028+**
Office lease payments	32	392	419	418	1,279
Other leases	1,162	1,402	1,282	825	-
Total	1,194	1,794	1,701	1,243	1,279

21(b) Other commitments

The Company has entered into firm service gas transportation agreements in which the Company guarantees certain minimum volumes of natural gas will be shipped on various gas transportation systems. The terms of the various agreements expire in one to five years. If no volumes were shipped pursuant to the agreements, the maximum amounts payable under the guarantees based on current tariff rates are as follows:

($'000s)	2024	2025	2026
Firm service commitment[1]	887	949	385

(1) The Company's commitment relating to firm service transportation does not constitute a lease under IFRS 16 given the Company does not obtain substantially all of the economic benefit from the use of the relevant gas transportation systems.

The Company entered into a Gas Handling Agreement for a period of five years with an industry partner guaranteeing access to natural gas takeaway and processing capacity in the Company's Pembina area. The minimum future payments for this agreement are as follows:

($'000s)	2024	2025	2026	2027	2028
Gas processing	2,142	3,417	3,486	3,555	3,636