



Financial Statements

For the three and six months ended June 30, 2024

Statements of Financial Position

(unaudited)

(Thousands of Canadian dollars)	Note	June 30, 2024	December 31, 2023
ASSETS			
Current assets			
Accounts receivable and accrued receivables	20	16,540	19,113
Prepaid expenses and deposits		4,402	4,849
Inventory		7,146	8,885
Derivative contracts	20	543	206
Total current assets		28,631	33,053
Property, plant and equipment	5, 6	408,326	405,516
Exploration and evaluation	7	11,841	12,030
Right-of-use asset	8	3,457	3,931
Deferred tax	11	16,236	18,426
Total assets		468,491	472,956
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	20	24,311	31,365
Lease liability	8	521	304
Decommissioning obligation	10	3,593	3,593
Deferred share unit liability	14	299	378
Total current liabilities		28,724	35,640
Bank debt	9	54,618	47,161
Lease liability	8	3,466	3,821
Decommissioning obligation	10	86,587	91,982
Total long-term liabilities		144,671	142,964
Total liabilities		173,395	178,604
Shareholders' equity			
Share capital	12	266,259	266,701
Contributed surplus	14	21,814	19,530
Retained earnings		7,023	8,121
Total shareholders' equity		295,096	294,352
Total liabilities and shareholders' equity		468,491	472,956

Commitments 21

The above Statements of Financial Position 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		Six Months Ended	
		2024	2023	2024	2023
			June 30		June 30
Oil and natural gas sales	16	41,460	39,762	79,457	85,063
Royalties		(5,063)	(3,137)	(9,590)	(10,791)
Revenue		36,397	36,625	69,867	74,272
Gain on derivative contracts	16	1,325	159	759	2,038
Revenue and gain on derivative contracts		37,722	36,784	70,626	76,310
Operating expenses		11,672	11,731	23,701	23,666
Transportation expenses		773	749	1,630	1,492
Exploration and evaluation expenses	7	983	-	983	157
General and administrative expenses	17	2,244	2,799	4,676	5,300
Share-based compensation	14	672	990	1,822	1,753
Depletion and depreciation	5, 8	11,817	11,270	23,485	23,017
Finance expenses	18	2,515	1,776	5,037	3,635
Total expenses		30,676	29,315	61,334	59,020
Profit before tax		7,046	7,469	9,292	17,290
Deferred income tax expense	11	1,631	3,139	2,190	3,671
Profit and comprehensive income		5,415	4,330	7,102	13,619
PROFIT PER COMMON SHARE					
Basic	15	0.06	0.05	0.08	0.15
Diluted	15	0.06	0.05	0.08	0.15

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	Deficit	Total shareholders' equity
Balance at December 31, 2022		86,952,601	263,280	18,237	(8,458)	273,059
Share-based compensation	14	-	-	2,097	-	2,097
Option exercises	14	2,418,500	3,274	(1,037)	-	2,237
Profit for the period		-	-	-	13,619	13,619
Dividends	13	-	-	-	(7,984)	(7,984)
Shares purchased and held in trust	12, 14	(428,300)	(1,125)	-	-	(1,125)
Repurchase of common shares	12	(90,000)	(495)	52	-	(443)
Balance at June 30, 2023		88,852,801	264,934	19,349	(2,823)	281,460
Balance at December 31, 2023		90,307,765	266,701	19,530	8,121	294,352
Share-based compensation	14	-	-	2,327	-	2,327
Option exercises	14	62,200	95	(31)	-	64
Profit for the period		-	-	-	7,102	7,102
Dividends	13	-	-	-	(8,200)	(8,200)
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 June 30, 2024		90,119,356	266,259	21,814	7,023	295,096

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)	Note	Three Months Ended June 30		Six Months Ended June 30	
		2024	2023	2024	2023
Cash flows provided by (used in):					
OPERATING ACTIVITIES					
Profit for the period		5,415	4,330	7,102	13,619
Non-cash items:					
Depletion and depreciation	5	11,817	11,270	23,485	23,017
Unrealized loss (gain) on derivative contracts	16	(1,130)	1,439	(337)	(440)
Accretion on decommissioning obligation	10	740	716	1,459	1,446
Share-based compensation	14	689	874	1,789	1,591
Exploration expense	7	983	-	983	157
Deferred income tax expense	11	1,631	3,139	2,190	3,671
Decommissioning expenditures	10	(745)	(225)	(1,267)	(1,125)
Funds flow		19,400	21,543	35,404	41,936
Net change in non-cash working capital	19	914	(8,192)	3,962	(6,364)
Net cash flow provided by operating activities		20,314	13,351	39,366	35,572
FINANCING ACTIVITIES					
Principal portion of finance lease payments	8	(69)	(176)	(138)	(295)
Proceeds from exercise of stock options	14	-	435	64	2,237
Dividends	13	(4,100)	(4,012)	(8,200)	(7,984)
Shares purchased and held in trust	12, 14	-	(525)	(549)	(1,125)
Repurchase of common shares	12	-	-	-	(443)
Increase in bank debt	9	3,269	14,313	7,457	16,415
Net cash flow provided by (used in) financing activities		(900)	10,035	(1,366)	8,805
INVESTING ACTIVITIES					
Capital expenditures – Property, plant and equipment	5	(5,389)	(12,758)	(30,893)	(42,326)
Capital expenditures – Exploration and evaluation	7	(767)	(16)	(794)	(48)
Property dispositions (acquisitions)	5	-	-	25	(327)
Net change in non-cash working capital	19	(13,258)	(10,612)	(6,338)	(1,676)
Net cash flow (used in) investing activities		(19,414)	(23,386)	(38,000)	(44,377)
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		1,450	1,030	2,923	2,141

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

Notes to the Financial Statements

(unaudited)

JUNE 30, 2024 AND JUNE 30, 2023

(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

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 August 14, 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 six months ended June 30, 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.

(ii) IFRS 7 “Financial Instruments” & IFRS 9 “Financial Instruments: Disclosures”

On May 30, 2024, the IASB issued amendments to IFRS 9, “Financial Instruments”, and IFRS 7, “Financial Instruments: Disclosures”. The amendments include clarifications on the derecognition of financial liabilities and the classification of certain financial assets. In addition, new disclosure requirements for equity instruments designated as fair value through other comprehensive income were added. The amendments are effective for annual periods beginning on or after January 1, 2026, and is to be applied retrospectively. 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	31,432
Additions/revisions to decommissioning obligation	(5,032)
Dispositions	(1,064)
Balance at June 30, 2024	787,221

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⁾	23,012
Dispositions	(486)
Balance at June 30, 2024	378,895

⁽¹⁾ Excludes \$0.5 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 June 30, 2024	408,326

For the six months ended June 30, 2024, additions to property, plant and equipment included capitalized general and administrative expenses of \$0.9 million (June 30, 2023: \$1.0 million) and costs related to share-based compensation of \$0.5 million (June 30, 2023: \$0.5 million). Future development costs in the amount of \$494 million were included in the depletion calculation for the three months ended June 30, 2024 (June 30, 2023: \$499 million).

6. IMPAIRMENT

At June 30, 2024 there were no indicators of impairment as the deficiency between the Company's net assets and market capitalization remained consistent with the deficiency when 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.

Year	Light, Sweet Crude Edmonton (\$Cdn/bbl)	AECO Gas Price (\$Cdn/MMBtu)
	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)	June 30, 2024	December 31, 2023
Opening balance	12,030	13,703
Additions	794	108
Acquisitions	-	327
Transfers to property, plant and equipment	-	(42)
Transfers to exploration and evaluation expense	(983)	(2,066)
Ending balance	11,841	12,030

At June 30, 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. Included within Exploration and evaluation expense is the expiry of undeveloped land leases during the year, anticipated near term undeveloped land lease expiries and/or expensed exploratory drilling.

8. LEASES

8(a) Right-of-use asset

(\$'000s)	June 30, 2024	December 31, 2023
Opening balance	3,931	314
Additions	-	4,229
Depreciation	(474)	(612)
Ending balance	3,457	3,931

8(b) Lease liability

The following table details the movement in lease liabilities for the year ended December 31, 2023 and the six months ended June 30, 2024.

(\$'000s)	Total
Balance at December 31, 2022	320
Additions	4,229
Repayments	(993)
Interest	569
Balance at December 31, 2023	4,125
Repayments	(793)
Interest	655
Balance at June 30, 2024	3,987
Expected to be incurred within one year	521
Expected to be incurred beyond one year	3,466

The Company does not have any lease contracts that are entered into by a joint arrangement, or on behalf of the joint arrangement, at June 30, 2024.

9. BANK DEBT

(\$'000s)	June 30, 2024	December 31, 2023
Credit Facility	54,618	47,161
Total Bank Debt	54,618	47,161

On June 24, 2024, 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, 2025, and if not extended, additional advances would not be permitted and any outstanding advances would become repayable one year later on June 30, 2026. 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 June 30, 2024, the Company had drawn \$54.6 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 June 30, 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 Canadian Overnight Repo Rate Average ("CORRA") loans, Secured Overnight Finance Rate ("SOFR") loans, and letters of credit, subject to the CORRA rate 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 semi-annual renewal on or before November 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 semi-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)	June 30, 2024	December 31, 2023
Opening balance	95,575	90,059
Provisions incurred	820	1,334
Provisions settled	(1,267)	(3,298)
Dispositions	(554)	-
Change in estimates	(5,853)	4,529
Accretion expense	1,459	2,951
Ending balance	90,180	95,575
Expected to be incurred within one year	3,593	3,593
Expected to be incurred beyond one year	86,587	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 3.4% 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 June 30, 2024 was approximately \$230.2 million (December 31, 2023 - \$224.8 million). The total uninflated undiscounted amount of estimated future cash flows required to settle the decommissioning obligation at June 30, 2024 was approximately \$113.5 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		Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Profit before tax	7,046	7,469	9,292	17,290
Expected income tax rate	23%	23%	23%	23%
Expected income tax expense	1,621	1,718	2,137	3,977
Increase (decrease) in income taxes resulting from:				
Non-taxable permanent differences – stock based comp.	36	53	73	113
Other	(6)	8	-	10
Change in opening tax pools	(20)	109	(20)	109
Revaluation of deferred tax asset	-	1,251	-	(538)
Deferred income tax expense	1,631	3,139	2,190	3,671

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

(\$'000s)	June 30, 2024	December 31, 2023
Non-capital loss carryforward balances	112,665	102,879
Share issue costs	438	524
Canadian Exploration Expenses (CEE)	53,814	64,773
Canadian Development Expenses (CDE)	95,109	93,924
Canadian Oil and Gas Property Expenses (COGPE)	96,846	101,967
Undepreciated Capital Cost (UCC)	46,817	43,572
Total	405,689	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 six months ended June 30, 2024 (June 30, 2023 - \$0.5 million) with a corresponding impact to the deferred tax asset. At June 30, 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 June 30, 2024	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 six months ended June 30, 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 \$8.2 million in dividends during the six months ended June 30, 2024 (June 30, 2023 - \$8.0 million).

Subsequent to June 30, 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 July 15, 2024 and August 15, 2024. The dividend payment date for these dividends is July 31, 2024 and August 30, 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 June 30, 2024	2,636,680	2.39	1.91
Exercisable at June 30, 2024	1,646,750	1.86	1.45

Share-based compensation in the amount of \$0.1 million and \$0.3 million was recognized in the three and six months ended June 30, 2024 (three months ended June 30, 2023 - \$0.2 million; six months ended June 30, 2023 - \$0.5 million) relating to stock options, in addition to \$0.1 million (June 30, 2023 - \$0.1 million) of capitalized stock based compensation recognized for three months ended June 30, 2024, all with a corresponding credit to contributed surplus.

The fair value of each stock option granted in the three and six months ended June 30, 2024 and June 30, 2023 is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Risk free interest rate	-	3.69%	-	3.69%
Expected volatility	-	91%	-	91%
Expected life	-	3.5 years	-	3.5 years
Dividend yield	-	7%	-	7%
Expected forfeiture rate	-	Nil	-	Nil
Stock price on grant date	-	\$2.57	-	\$2.57
Fair value per option	-	\$1.17	-	\$1.17

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 June 30, 2024	139,605

Cash payments in the amount of \$0.1 million (June 30, 2023 - \$0.6 million) were made during the six months ended June 30, 2024 relating to DSUs vesting during the period. Share-based compensation in the amount of \$nil and \$0.05 million was recognized in the three and six months ended June 30, 2024 (three months ended June 30, 2023 - \$0.1 million; six months ended June 30, 2023 - \$0.2 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	48,144	28,841
Vested during the period	(4,466)	-
Payout multiplier adjustment	-	179,957
Outstanding at June 30, 2024	1,361,015	992,954

For the six months ended June 30, 2024, the independent trustee purchased 255,075 common shares for a total cost of \$0.5 million and as at June 30, 2024, the trustee held 949,736 common shares in trust. Share-based compensation in the amount of \$0.6 million and \$1.5 million was recognized in the three and six months ended June 30, 2024 (three months ended June 30, 2023 - \$0.6 million; six months ended June 30, 2023 - \$1.1 million) relating to RAs and PAs, in addition to \$0.2 million (June 30, 2023 - \$0.2 million) of capitalized stock based compensation recognized for the three months ended June 30, 2024, all with a corresponding credit to contributed surplus.

For the six months ended June 30, 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		Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Profit for the period	5,415	4,330	7,102	13,619
Weighted average number of common shares (basic)	90,119,356	88,796,168	90,156,954	88,354,575
Weighted average number of common shares (diluted) ⁽¹⁾⁽²⁾⁽³⁾	93,212,774	91,315,175	93,239,956	90,921,361
Basic profit per share	0.06	0.05	0.08	0.15
Diluted profit per share	0.06	0.05	0.08	0.15

⁽¹⁾ A total of 1,075,630 options are excluded from the per share calculations for the three months ended June 30, 2024 as they are anti-dilutive (three months ended June 30, 2023 – 1,033,600 options). A total of 1,075,630 options are excluded from the per share calculations for the six months ended June 30, 2024 as they are anti-dilutive (six months ended June 30, 2023 – 1,033,600 options).

⁽²⁾ A total of 1,361,015 RAs (June 30, 2023 – 1,390,444) and 992,954 PAs (June 30, 2023 – 836,810) are included in the per share calculations as they are dilutive.

⁽³⁾ The impact of the 949,736 shares held in trust are excluded from the per share calculations for the three and six months ended June 30, 2024 as they are anti-dilutive (June 30, 2023 – 525,600).

16. REVENUE AND DERIVATIVE CONTRACTS

(\$'000s)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Oil sales	34,373	30,944	62,495	64,091
Natural Gas sales	2,762	5,173	8,079	12,092
NGL sales	4,325	3,645	8,883	8,880
Total	41,460	39,762	79,457	85,063
Changes in fair value of derivative contracts				
Realized gain on derivative contracts	195	1,598	422	1,598
Unrealized gain (loss) on derivative contracts	1,130	(1,439)	337	440
Gain on derivative contracts	1,325	159	759	2,038

17. GENERAL AND ADMINISTRATIVE EXPENSES

(\$'000s)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Gross general and administrative	2,885	3,429	5,932	6,630
Capitalized G&A and recoveries	(641)	(630)	(1,256)	(1,330)
General and administrative expense	2,244	2,799	4,676	5,300

18. FINANCE EXPENSE

(\$'000s)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Interest expense (Credit Facility and other)	1,450	1,030	2,923	2,141
Interest expense (Lease liabilities)	325	30	655	48
Accretion on decommissioning obligation	740	716	1,459	1,446
Finance expense	2,515	1,776	5,037	3,635

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

(\$'000s)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Source (use) of cash				
Accounts receivable and accruals	926	2,606	2,573	3,109
Prepaid expenses, deposits and inventory	(333)	(6,695)	2,184	(4,736)
Accounts payable and accruals	(12,921)	(14,607)	(7,054)	(5,930)
Deferred share unit liability	(16)	(108)	(79)	(483)
	(12,344)	(18,804)	(2,376)	(8,040)
Related to operating activities	914	(8,192)	3,962	(6,364)
Related to investing activities	(13,258)	(10,612)	(6,338)	(1,676)
	(12,344)	(18,804)	(2,376)	(8,040)

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 June 30, 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 six months ended June 30, 2024 and June 30, 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 \$1.7 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 June 30, 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:

(\$'000s)	Carrying Amount	
	June 30, 2024	December 31, 2023
Oil and natural gas customers	12,886	13,448
Joint operations partners	1,653	4,111
Accruals & Other	2,001	1,554
Total	16,540	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 June 30, 2024 and December 31, 2023, the Company's accounts receivable and accrued receivables was aged as follows:

Aging (\$'000s)	June 30, 2024	December 31, 2023
0 – 30 days	14,550	15,781
30- 90 days	884	2,028
Greater than 90 days	1,589	1,787
Expected credit loss	(483)	(483)
Total	16,540	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 June 30, 2024 \$1.6 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 June 30, 2024:

(\$'000s)	2024	2025	2026	2027	2028+
Non-derivative financial liabilities:					
Accounts payable and accrued liabilities	24,311	-	-	-	-
Bank loans – principal ⁽¹⁾	-	-	54,618	-	-
Bank loans – interest ⁽²⁾	2,714	5,427	2,714	-	-
Lease liability	165	723	812	732	1,554
Total	27,190	6,150	58,144	732	1,554

⁽¹⁾ Assumes the Credit Facility is not renewed on June 30, 2025, whereby outstanding balances become due one year later on June 30, 2026.

⁽²⁾ Assumes interest is incurred on bank debt outstanding on the Credit Facility at June 30, 2024 at the Company's effective interest rate during the current quarter and the principal balance is repaid June 30, 2026.

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

(\$'000s)	June 30, 2024	December 31, 2023
Trade payables ⁽³⁾	12,259	20,547
Joint operations partners	5,660	4,629
Accruals ⁽⁴⁾	6,392	6,189
Total	24,311	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 June 30, 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 ("WTP"), 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 June 30, 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	\$270

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	\$232
Canadian dollar	1,900	2.11/mcf	3.06/mcf	Feb. 1, 2024 – March 31, 2025	\$213
Canadian dollar	1,900	2.85/mcf	3.85/mcf	Nov. 1, 2024 – March 31, 2025	\$61

⁽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	-

⁽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	(\$233)

⁽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 June 30, 2024, the Company estimates that it would receive \$0.5 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 \$1.1 million and increase the fair value of derivative contracts by \$0.9 million respectively as at June 30, 2024.

The fair value of the financial commodity risk management contracts at June 30, 2024 was an asset of \$0.5 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 June 30, 2024 (June 30, 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 June 30, 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)	June 30, 2024	December 31, 2023
Bank debt	54,618	47,161
Accounts payable and accrued liabilities	24,311	31,365
Accounts receivable and accrued receivables, prepaid expenses and deposits and inventory	(28,088)	(32,847)
Net debt	50,841	45,679
Shareholders' equity	295,096	294,352
Total capitalization	345,937	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 transaction and integration costs and decommissioning expenditures. Adjusted funds flow for the three and six months ended June 30, 2024 and June 30, 2023 is as follows:

(\$'000s)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Funds flow	19,400	21,543	35,404	41,936
Decommissioning expenditures	745	225	1,267	1,125
Adjusted funds flow	20,145	21,768	36,671	43,061

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	768	1,402	1,282	825	-
Total	800	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⁾	597	1,182	636

⁽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	1,540	3,417	3,486	3,555	3,636

22. SUBSEQUENT EVENT

Subsequent to June 30, 2024, InPlay entered into an electricity hedge fixing InPlay's electricity cost for one megawatt ("MW") for a four year term at \$62.17 per megawatt hour ("MWh").