



Financial Statements

For the three and six months ended June 30, 2025

Statements of Financial Position

(unaudited)

(Thousands of Canadian dollars)	Note	June 30, 2025	December 31, 2024
ASSETS			
Current assets			
Accounts receivable and accrued receivables	21	41,403	15,942
Prepaid expenses and deposits		12,626	3,731
Inventory		11,285	6,161
Derivative contracts	21	88	-
Total current assets		65,402	25,834
Property, plant and equipment	6, 7	1,038,811	417,546
Exploration and evaluation	8	23,130	14,205
Right-of-use asset	9	4,091	3,044
Deferred tax	12	16,997	15,626
Total assets		1,148,431	476,255
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	21	48,261	23,595
Lease liability	9	768	761
Decommissioning obligation	11	5,250	3,669
Deferred share unit liability	15	-	221
Derivative contracts	21	-	245
Total current liabilities		54,279	28,491
Credit facilities	10	240,276	63,134
Lease liability	9	4,157	3,098
Decommissioning obligation	11	464,494	90,805
Total long-term liabilities		708,927	157,037
Total liabilities		763,206	185,528
Shareholders' equity			
Share capital	13	377,478	266,259
Contributed surplus	15	24,597	23,277
Retained earnings (Deficit)		(16,850)	1,191
Total shareholders' equity		385,225	290,727
Total liabilities and shareholders' equity		1,148,431	476,255

Commitments

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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 (Loss) and Comprehensive Income (Loss)

(unaudited)

(Thousands of Canadian dollars, except per share amounts)	Note	Three Months Ended June 30		Six Months Ended June 30	
		2025	2024	2025	2024
Oil and natural gas sales	17	91,639	41,460	130,575	79,457
Royalties		(11,795)	(5,063)	(16,568)	(9,590)
Revenue		79,844	36,397	114,007	69,867
Gain on derivative contracts	17	4,538	1,325	-	759
Revenue and gain on derivative contracts		84,382	37,722	114,007	70,626
Operating expenses		28,033	11,672	40,250	23,701
Transportation expenses		1,311	773	2,246	1,630
Exploration and evaluation expenses	8	3,077	983	3,140	983
General and administrative expenses	18	4,255	2,244	6,911	4,676
Share-based compensation	15	948	672	3,458	1,822
Depletion and depreciation	6, 9	30,134	11,817	42,699	23,485
Finance expenses	19	9,922	2,515	12,237	5,037
Transaction and integration costs	5	10,141	-	10,141	-
Total expenses		87,821	30,676	121,082	61,334
Profit (loss) before tax		(3,439)	7,046	(7,075)	9,292
Deferred income tax expense (recovery)	12	(245)	1,631	(994)	2,190
Profit (loss) and comprehensive income (loss)		(3,194)	5,415	(6,081)	7,102
PROFIT (LOSS) PER COMMON SHARE⁽¹⁾					
Basic	16	(0.12)	0.36	(0.29)	0.47
Diluted	16	(0.12)	0.35	(0.29)	0.46

⁽¹⁾ Common share, per common share, dividend, stock option, DSU, RSU and PSU amounts have been updated to reflect the six for one common share consolidation. Further details are disclosed in note 1.

The above Statements of Profit (Loss) and Comprehensive Income (Loss) 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) ⁽¹⁾	Share capital	Contributed surplus	Retained earnings (Deficit)	Total shareholders' equity
Balance at December 31, 2023		15,051,294	266,701	19,530	8,121	294,352
Share-based compensation	15	-	-	2,327	-	2,327
Option exercises	15	10,368	95	(31)	-	64
Profit for the period		-	-	-	7,102	7,102
Dividends	14	-	-	-	(8,200)	(8,200)
Shares purchased and held in trust	13, 15	(42,513)	(549)	-	-	(549)
Shares released from trust on vesting of share awards	13	744	12	(12)	-	-
Balance at June 30, 2024		15,019,893	266,259	21,814	7,023	295,096

Balance at December 31, 2024		15,019,893	266,259	23,277	1,191	290,727
Share-based compensation	15	-	-	4,489	-	4,489
Option exercises	15	106,783	578	(180)	-	398
Issued pursuant to acquisition	5	9,139,784	78,419	-	-	78,419
Bought deal prospectus offering	13	3,524,272	32,776	-	-	32,776
Share issue costs, net of deferred tax	13	-	(1,264)	-	-	(1,264)
Loss for the period		-	-	-	(6,081)	(6,081)
Dividends	14	-	-	-	(11,960)	(11,960)
Shares purchased and held in trust	13, 15	(216,422)	(1,904)	-	-	(1,904)
Shares released from trust on vesting of share awards	13	231,661	2,614	(2,989)	-	(375)
Balance at June 30, 2025		27,805,971	377,478	24,597	(16,850)	385,225

⁽¹⁾ Common share, per common share, dividend, stock option, DSU, RSU and PSU amounts have been updated to reflect the six for one common share consolidation. Further details are disclosed in note 1.

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		Six Months Ended	
	Note	June 30		June 30	
Cash flows provided by (used in):		2025	2024	2025	2024
OPERATING ACTIVITIES					
Profit (loss) for the period		(3,194)	5,415	(6,081)	7,102
Non-cash items:					
Depletion and depreciation	6	30,134	11,817	42,699	23,485
Unrealized (gain) on derivative contracts	17	(4,925)	(1,130)	(333)	(337)
Accretion on decommissioning obligation	11	4,144	740	4,906	1,459
Share-based compensation	15	948	689	3,385	1,789
Exploration expense	8	3,077	983	3,140	983
Deferred income tax expense (recovery)	12	(245)	1,631	(994)	2,190
Decommissioning expenditures	11	(758)	(745)	(1,318)	(1,267)
Funds flow		29,181	19,400	45,404	35,404
Net change in non-cash working capital	20	(9,592)	914	(15,404)	3,962
Net cash flow provided by operating activities		19,589	20,314	30,000	39,366
FINANCING ACTIVITIES					
Principal portion of finance lease payments	9	(549)	(69)	(747)	(138)
Proceeds from exercise of stock options	15	2	-	380	64
Issuance of shares, net of issue costs	13	31,137	-	31,137	-
Dividends	14	(7,862)	(4,100)	(11,960)	(8,200)
Shares purchased and held in trust	15	(1,823)	-	(2,279)	(549)
Increase in credit facilities	10	175,397	3,269	177,142	7,457
Net cash flow provided by (used in) financing activities		196,302	(900)	193,673	(1,366)
INVESTING ACTIVITIES					
Capital expenditures – Property, plant and equipment	6	(4,571)	(5,389)	(18,406)	(30,893)
Capital expenditures – Exploration and evaluation	8	(42)	(767)	(94)	(794)
Property dispositions (acquisitions)	5	(205,199)	-	(205,542)	25
Net change in non-cash working capital	20	(6,079)	(13,258)	369	(6,338)
Net cash flow (used in) investing activities		(215,891)	(19,414)	(223,673)	(38,000)
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		5,380	1,450	6,654	2,923

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

Notes to the Financial Statements

(unaudited)

JUNE 30, 2025 AND JUNE 30, 2024

(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, 2024.

The financial statements were approved and authorized for issuance by the Board of Directors on August 13, 2025.

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, 2024, except as noted below.

Changes in accounting policies

There were no new accounting policies adopted during the six months ended June 30, 2025.

Common Share Consolidation and Comparative Figures

At the Company’s Special Meeting of Shareholders held on April 4, 2025, shareholders approved a six for one common share consolidation effective for shareholders of record as of April 14, 2025. Effective April 14, 2025, shareholders of record received one share for every six common shares held, with common shares trading on a consolidation basis beginning April 17, 2025. Common share, per common share, dividend, stock option, DSU, RSU and PSU amounts for periods prior to the six for one common share consolidation have been updated to reflect the common share consolidation.

Future accounting pronouncements not yet adopted

The Company has reviewed the following reporting and accounting standards that have been issued, but are 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, 2024.

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. ACQUISITIONS

On April 7, 2025, the Company closed the previously announced acquisition of Cardium light oil focused assets in the Pembina area of Alberta (the “**Pembina Asset Acquisition**”) from Obsidian Energy Ltd. (“**Obsidian**”) for consideration of approximately \$293 million. Consideration consisted of \$205 million cash payment, the issuance of 9,139,784 common shares of InPlay to Obsidian valued at \$8.58 per share based on the closing price of InPlay shares on April 6, 2025, and the inclusion of InPlay’s non-operated assets at Willesden Green Unit 2 (the “**Unit Interest**”).

The transaction has been accounted for as a business combination under IFRS 3.

The fair value at April 7, 2025 of the total consideration transferred (net of adjustments) and the amounts recognized attributed to the assets acquired was as follows:

Consideration:	(\$'000s)
Cash consideration	205,199
Share consideration	78,419
Unit Interest	9,656
Total Consideration	293,274
Recognized amounts of assets acquired and liabilities assumed:	
Property, plant and equipment	478,301
Exploration and evaluation	11,628
Right-of-use asset	1,723
Decommissioning obligation	(196,655)
Lease liability	(1,723)
Total identifiable net assets	293,274

The fair value of the decommissioning obligation at April 7, 2025 was based on the estimated future cash flows to decommission the acquired property, plant and equipment at the end of its useful life. The discount rate used to determine the net present value of the decommissioning obligation was a credit adjusted risk-free rate of 8.5%. At June 30, 2025 the decommissioning liability was revalued at risk-free discount rates of 2.5% to 3.4%, depending on the estimated timing of the future settlement of the obligations, resulting in incremental additions of \$191.1 million of decommissioning obligation and corresponding additions to property, plant and equipment.

The acquired assets contributed revenues consisting of oil and natural gas sales net of royalties of approximately \$51.6 million and operating income, which is defined as oil and natural gas sales net of royalties less operating and transportation costs, of \$34.4 million to InPlay for the period from April 7, 2025 to June 30, 2025. Had the asset acquisition occurred on January 1, 2025, an additional pro-forma oil and natural gas sales net of royalties of approximately \$58.9 million and operating income of \$39.3 million would have been recognized over the six months ended June 30, 2025.

For the six months ended June 30, 2025 \$10.1 million of transaction and integration costs were incurred for advisory and professional fees associated with the transaction.

The fair values of the identifiable assets and liabilities acquired as reported in the table above were estimated based on information available at the time of preparation of the financial statements and could be subject to change.

6. PROPERTY, PLANT AND EQUIPMENT

Cost (\$'000s)	Total
Balance at December 31, 2023	761,885
Additions	60,045
Revisions to decommissioning obligation	(151)
Dispositions	(1,077)
Balance at December 31, 2024	820,702
Additions	19,509
Revisions to decommissioning obligation	177,054
Acquisitions	466,725
Balance at June 30, 2025	1,483,990

Accumulated Depletion (\$'000s)	Total
Balance at December 31, 2023	356,369
Depletion and depreciation ⁽¹⁾	47,273
Dispositions	(486)
Balance at December 31, 2024	403,156
Depletion and depreciation ⁽¹⁾	42,023
Balance at June 30, 2025	445,179

⁽¹⁾ Excludes \$0.7 million of depreciation relating to Right-of-use assets (December 31, 2024: \$0.9 million).

Net book value (\$'000s)	Total
At December 31, 2024	417,546
At June 30, 2025	1,038,811

For the six months ended June 30, 2025, additions to property, plant and equipment included capitalized general and administrative expenses of \$1.2 million (June 30, 2024: \$0.9 million) and costs related to share-based compensation of \$1.1 million (June 30, 2024: \$0.5 million). Future development costs in the amount of \$1,045 million were included in the depletion calculation for the three months ended June 30, 2025 (June 30, 2024: \$494 million).

7. IMPAIRMENT

At June 30, 2025 there were no indicators of impairment. All previously recorded impairments have been fully reversed.

Indicators of impairment relating to Property, plant and equipment were considered to exist as at December 31, 2024 as the Company's net assets were greater than its market capitalization. An impairment test was 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, 2024. 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, 2024.

The following table shows the benchmark commodity prices used in the impairment calculation of Property, plant and equipment at December 31, 2024 of which is based on an average of independent reserve evaluator pricing estimates.

	Light, Sweet Crude Edmonton (\$Cdn/bbl)	AECO Gas Price (\$Cdn/MMBtu)
Year	December 31, 2024	December 31, 2024
2025	71.58	2.36
2026	74.48	3.33
2027	75.81	3.48
2028	77.66	3.69
2029	79.22	3.76
2030	80.80	3.83
2031	82.42	3.91
2032	84.06	3.99
2033	85.74	4.07

8. EXPLORATION AND EVALUATION

(\$'000s)	June 30, 2025	December 31, 2024
Opening balance	14,205	12,030
Additions	94	3,907
Acquisitions	11,971	-
Transfers to exploration and evaluation expense	(3,140)	(1,732)
Ending balance	23,130	14,205

At June 30, 2025, 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.

9. LEASES

9(a) Right-of-use asset

(\$'000s)	June 30, 2025	December 31, 2024
Opening balance	3,044	3,931
Acquisitions	1,723	49
Depreciation	(676)	(936)
Ending balance	4,091	3,044

9(b) Lease liability

The following table details the movement in lease liabilities for the year ended December 31, 2024 and the six months ended June 30, 2025.

(\$'000s)	Total
Balance at December 31, 2023	4,125
Additions	49
Repayments	(1,606)
Interest	1,291
Balance at December 31, 2024	3,859
Acquisitions	1,723
Repayments	(1,334)
Interest	677
Balance at June 30, 2025	4,925
Expected to be incurred within one year	768
Expected to be incurred beyond one year	4,157

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, 2025.

10. CREDIT FACILITIES

(\$'000s)	June 30, 2025	December 31, 2024
Revolving Credit Facility	134,073	63,134
Term Facility	106,203	-
Total Credit Facilities	240,276	63,134

Concurrent with completion of the Acquisition on April 7, 2025, InPlay entered into an amended and restated credit agreement with a syndicate of lenders (the “**Lenders**”) pursuant to which the aggregate available borrowing capacity under InPlay's Senior Credit Facility was increased from \$110 million to \$330 million by way of an increased \$190 million revolving credit facility (the “**Revolving Credit Facility**”) with a term out date extended to June 30, 2026, a \$110 million two-year amortizing term loan (the “**Term Facility**”) and a letter of credit facility of up to \$30 million.

10(a) Revolving Credit Facility

The Revolving Credit Facility consists of a \$140 million revolving line of credit and a \$50 million operating line of credit. The Revolving Credit Facility has a term out date of June 30, 2026, and if not extended, additional advances would not be permitted and any outstanding advances would become repayable one year later on June 30, 2027. The Revolving 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, 2025, the Company had drawn \$134.1 million on the Revolving Credit Facility. There are standard reporting covenants under the Revolving Credit Facility and no financial covenants. In addition, there is an additional affirmative covenant to satisfy certain prescribed hedging requirements under the Revolving Credit Facility. The Company was in compliance with these covenants as at June 30, 2025.

Under the Revolving 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 Revolving Credit Facility is scheduled for semi-annual renewal on or before November 30, 2025 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 Revolving Credit Facility will not be adjusted at the next semi-annual review. In the event that the lenders reduce the borrowing base under the Revolving 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 Revolving Credit Facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties.

10(b) Term Facility

The Term Facility has a maturity date of April 7, 2027 and is secured by a floating charge debenture of \$150 million and a general security agreement on the assets of the Company. The Term Facility includes quarterly amortization payments of \$4.1 million. The \$110 million Term Facility was fully drawn upon of the Acquisition. On June 30, 2025 a pro-rated quarterly amortization payment of \$3.8 million was made against the Term Facility resulting in \$106.2 million drawn on the Term Facility at June 30, 2025. The covenant and security package under the Term Facility is substantially the same as the Revolving Credit Facility, with the exception of the Term Facility having a Debt to Earnings before interest, taxes, depreciation and amortization (“EBITDA”) covenant whereby this ratio is not to exceed 2.00:1.00, and a fixed charge coverage ratio covenant whereby this ratio is not to exceed 1.75:1.00. The Company was in compliance with these standard reporting covenants and financial covenants as at June 30, 2025.

Under the Term Facility, advances can be drawn as prime rate loans and CORRA loans and bear interest at the bank’s applicable prime lending or CORRA loan rates plus margins ranging from 2.25% to 3.75% of which these margins are dependent upon amounts drawn on the Term Facility.

11. DECOMMISSIONING OBLIGATION

(\$'000s)	June 30, 2025	December 31, 2024
Opening balance	94,474	95,575
Provisions incurred	252	1,822
Provisions acquired	196,655	-
Revaluation of liabilities acquired based on discount rate	191,130	-
Provisions settled	(1,318)	(3,357)
Dispositions	(2,026)	(554)
Change in estimates	(14,329)	(1,968)
Accretion expense	4,906	2,956
Ending balance	469,744	94,474
Expected to be incurred within one year	5,250	3,669
Expected to be incurred beyond one year	464,494	90,805

The Company used an inflation rate of 2.5% per annum (December 31, 2024 – 2.5%) until settlement of the decommissioning obligation, which is assumed to occur over the next 6 to 52 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 2.6% to 3.6% depending on the estimated timing of the future settlement of the obligations (December 31, 2024 – 3.1% to 3.3%). The total inflation adjusted undiscounted amount of estimated future cash flows required to settle the decommissioning obligation at June 30, 2025 was approximately \$984.6 million (December 31, 2024 - \$216.7 million). The total uninflated undiscounted amount of estimated future cash flows required to settle the decommissioning obligation at June 30, 2025 was approximately \$554.7 million (December 31, 2024 - \$113.6 million).

Refer to note 5 for further information relating to the Provisions acquired and Revaluation of liabilities acquired based on discount rate.

12. INCOME TAX

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

(\$'000s)	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Profit (loss) before tax	(3,439)	7,046	(7,075)	9,292
Expected income tax rate	23%	23%	23%	23%
Expected income tax expense (recovery)	(791)	1,621	(1,627)	2,137
Increase (decrease) in income taxes resulting from:				
Non-taxable permanent differences – stock based comp.	33	36	46	73
Other	2	(6)	4	-
Change in opening tax pools	-	(20)	-	(20)
Revaluation of deferred tax asset	511	-	583	-
Deferred income tax expense (recovery)	(245)	1,631	(994)	2,190

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

(\$'000s)	June 30, 2025	December 31, 2024
Non-capital loss carryforward balances	122,162	119,693
Share issue costs	1,764	389
Canadian Exploration Expenses (CEE)	56,749	53,074
Canadian Development Expenses (CDE)	92,952	96,492
Canadian Oil and Gas Property Expenses (COGPE)	304,590	91,737
Undepreciated Capital Cost (UCC)	93,129	47,065
Total	671,346	408,450

The Company's non-capital losses will begin to expire between 2036 and 2041. 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 debited by \$0.6 million during the six months ended June 30, 2025 (June 30, 2024 - \$nil) with a corresponding impact to the deferred tax asset. At June 30, 2025, the Company had \$2.9 million of unrecognized deferred tax asset (December 31, 2024 - \$2.3 million).

13. SHARE CAPITAL

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

	Number of Common Shares (net of shares in trust) ⁽¹⁾	Amount (\$'000s)
Balance at December 31, 2023	15,051,294	266,701
Issued on exercise of options	10,367	95
Shares purchased and held in trust	(42,513)	(549)
Shares released from trust on vesting of share awards	745	12
Balance at December 31, 2024	15,019,893	266,259
Issued on exercise of options	106,783	578
Issued pursuant to acquisition	9,139,784	78,419
Bought deal prospectus offering	3,524,272	32,776
Share issue costs, net of deferred tax	-	(1,264)
Shares purchased and held in trust	(216,422)	(1,904)
Shares released from trust on vesting of share awards	231,661	2,614
Balance at June 30, 2025	27,805,971	377,478

⁽¹⁾ Common share, per common share, dividend, stock option, DSU, RSU and PSU amounts have been updated to reflect the six for one common share consolidation. Further details are disclosed in note 1.

In connection with the Pembina Asset Acquisition, the Company completed a bought deal public offering on February 27, 2025 for gross proceeds of \$32.8 million, pursuant to which the Company issued 3.5 million subscription receipts of InPlay at a price of \$9.30 per subscription receipt. Cash proceeds were released from escrow on April 7, 2025 upon closing of the Pembina Asset Acquisition and each subscription receipt was exchanged for one common share of InPlay for no additional consideration. Net proceeds were approximately \$31.1 million after underwriting fees and other issue costs.

Also connected with the Pembina Asset Acquisition, the Company issued 9,139,784 InPlay common shares as partial consideration for the acquisition. See note 5 for additional information.

14. DIVIDENDS⁽¹⁾

The Company's Board of Directors approved the implementation of a monthly base cash dividend of \$0.09 per share commencing in November 2022 which resulted in the payment of \$12.0 million in dividends during the six months ended June 30, 2025 (June 30, 2024 - \$8.2 million).

Subsequent to June 30, 2025, the Board of Directors approved and declared monthly cash dividends of \$0.09 per share, designated as eligible dividends, payable to shareholders of record on July 15, 2025 and August 15, 2025. The dividend payment date for these dividends is July 31, 2025 and August 29, 2025.

⁽¹⁾ Common share, per common share, dividend, stock option, DSU, RSU and PSU amounts have been updated to reflect the six for one common share consolidation. Further details are disclosed in note 1.

15. SHARE-BASED COMPENSATION

15(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, 2023	449,813	2.84	11.34
Exercised during the year	(10,366)	0.58	6.18
Outstanding at December 31, 2024	439,447	1.90	11.46
Exercised during the period	(106,783)	0.02	3.73
Granted during the period	379,833	4.73	9.60
Forfeited during the period	(8,300)	2.80	18.36
Outstanding at June 30, 2025	704,197	3.44	11.58
Exercisable at June 30, 2025	262,838	1.78	13.02

Share-based compensation in the amount of \$0.1 million and \$0.2 million was recognized in the three and six months ended June 30, 2025 (three months ended June 30, 2024 - \$0.1 million; six months ended June 30, 2024 - \$0.3 million) relating to stock options, in addition to \$0.1 million (June 30, 2024 - \$0.1 million) of capitalized stock based compensation recognized for three months ended June 30, 2025, 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, 2025 is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Risk free interest rate	2.57%	-	2.57%	-
Expected volatility	49%	-	49%	-
Expected life	3.5 years	-	3.5 years	-
Dividend yield	11%	-	11%	-
Expected forfeiture rate	nil	-	nil	-
Stock price on grant date	\$1.63	-	\$1.63	-
Fair value per option	\$0.30	-	\$0.30	-

15(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, 2023	31,601
Vested during the year	(8,333)
Outstanding at December 31, 2024	23,268
Vested during the period	(23,268)
Outstanding at June 30, 2025	-

Cash payments in the amount of \$0.3 million (June 30, 2024 - \$0.1 million) were made during the six months ended June 30, 2025 relating to DSUs vesting during the period. Share-based compensation in the amount of \$nil and \$0.1 million was recognized in the three and six months ended June 30, 2025 (three months ended June 30, 2024 - \$nil; six months ended June 30, 2024 - \$0.05 million) relating to DSUs, with a corresponding credit to Deferred share unit liability.

15(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 generally 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. A payout multiplier of 1.4 was approved by the Board of Directors for 2024. 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, 2023	214,723	130,693
Granted during the period	4,833	-
Dividend make-whole adjustment	17,754	10,612
Vested during the period	(744)	-
Payout multiplier adjustment	-	29,993
Outstanding at December 31, 2024	236,566	171,298
Granted during the period	529,181	523,348
Dividend make-whole adjustment	32,741	27,630
Vested during the period	(191,003)	(165,748)
Payout multiplier adjustment	-	64,665
Forfeited during the period	(11,520)	(3,187)
Outstanding at June 30, 2025	595,965	618,006

For the six months ended June 30, 2025, the independent trustee purchased 216,422 common shares for a total cost of \$1.9 million and as at June 30, 2025, the trustee held 143,014 common shares in trust. Share-based compensation in the amount of \$0.8 million and \$3.2 million was recognized in the three and six months ended June 30, 2025 (three months ended June 30, 2024 - \$0.6 million; six months ended June 30, 2024 - \$1.5 million) relating to RAs and PAs, in addition to \$1.1 million (June 30, 2024 - \$0.2 million) of capitalized stock based compensation recognized for the six months ended June 30, 2025, all with a corresponding credit to contributed surplus.

For the six months ended June 30, 2025, upon the vesting and settlement of 191,003 (December 31, 2024 – 745) RAs and 165,748 (December 31, 2024 – nil) PAs, when taking into account the earned multipliers for PAs, 231,661 (December 31, 2024 – 745) common shares were released from trust.

16. PROFIT (LOSS) PER COMMON SHARE⁽¹⁾

(\$'000s except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Profit (loss) for the period	(3,194)	5,415	(6,081)	7,102
Weighted average number of common shares (basic)	26,903,101	15,019,893	21,006,911	15,026,159
Weighted average number of common shares (diluted) ⁽²⁾⁽³⁾	26,903,101	15,535,462	21,006,911	15,539,993
Basic profit (loss) per share	(0.12)	0.36	(0.29)	0.47
Diluted profit (loss) per share	(0.12)	0.35	(0.29)	0.46

⁽¹⁾ Common share, per common share, dividend, stock option, DSU, RSU and PSU amounts have been updated to reflect the six for one common share consolidation. Further details are disclosed in note 1.

⁽²⁾ All 704,197 options are excluded from the per share calculations for the three months ended June 30, 2025 as they are anti-dilutive (three months ended June 30, 2024 – 179,272 options). All 704,197 options are excluded from the per share calculations for the six months ended June 30, 2025 as they are anti-dilutive (six months ended June 30, 2024 – 179,272 options).

⁽³⁾ The impact of the 143,014 shares held in trust are excluded from the per share calculations for the three and six months ended June 30, 2025 as they are anti-dilutive (June 30, 2024 – 158,289).

17. REVENUE AND DERIVATIVE CONTRACTS

(\$'000s)	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Oil sales	76,140	34,373	104,739	62,495
Natural Gas sales	7,659	2,762	12,781	8,079
NGL sales	7,840	4,325	13,055	8,883
Total	91,639	41,460	130,575	79,457
Changes in fair value of derivative contracts				
Realized gain (loss) on derivative contracts	(387)	195	(333)	422
Unrealized gain on derivative contracts	4,925	1,130	333	337
Gain on derivative contracts	4,538	1,325	-	759

18. GENERAL AND ADMINISTRATIVE EXPENSES

(\$'000s)	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Gross general and administrative	5,530	2,885	8,853	5,932
Capitalized G&A and recoveries	(1,275)	(641)	(1,942)	(1,256)
General and administrative expense	4,255	2,244	6,911	4,676

19. FINANCE EXPENSE

(\$'000s)	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Interest expense (Credit Facility and other)	5,380	1,450	6,654	2,923
Interest expense (Lease liabilities)	398	325	677	655
Accretion on decommissioning obligation	4,144	740	4,906	1,459
Finance expense	9,922	2,515	12,237	5,037

20. SUPPLEMENTAL CASH FLOW INFORMATION

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

(\$'000s)	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Source (use) of cash				
Accounts receivable and accruals	(24,676)	926	(25,461)	2,573
Prepaid expenses, deposits and inventory	24,660	(333)	(14,019)	2,184
Accounts payable and accruals	17,415	(12,921)	24,666	(7,054)
Subscription receipt liability	(32,776)	-	-	-
Deferred share unit liability	(294)	(16)	(221)	(79)
	(15,671)	(12,344)	(15,035)	(2,376)
Related to operating activities	(9,592)	914	(15,404)	3,962
Related to investing activities	(6,079)	(13,258)	369	(6,338)
	(15,671)	(12,344)	(15,035)	(2,376)

21. 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.

21(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 credit facilities.

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. Credit facilities' 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, 2025 and December 31, 2024 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, 2025 and June 30, 2024, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

21(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 \$1.8 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, 2025 was \$0.5 million (December 31, 2024 - \$0.3 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, 2025	December 31, 2024
Oil and natural gas customers	37,080	13,656
Joint operations partners	1,568	985
Accruals & Other	2,755	1,301
Total	41,403	15,942

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, 2025 and December 31, 2024, the Company's accounts receivable and accrued receivables was aged as follows:

Aging (\$'000s)	June 30, 2025	December 31, 2024
0 – 30 days	40,601	14,657
30- 90 days	326	428
Greater than 90 days	1,009	1,190
Expected credit loss	(533)	(333)
Total	41,403	15,942

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, 2025 \$1.0 million (December 31, 2024 - \$1.2 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.

21(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 \$190 million Credit Facility which is reviewed semi-annually by its lenders, and a \$110 million two-year amortizing term loan. These credit facilities are described further in note 10.

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, 2025:

(\$'000s)	2025	2026	2027	2028	2029+
Non-derivative financial liabilities:					
Accounts payable and accrued liabilities	48,261	-	-	-	-
Credit facilities – principal ⁽¹⁾⁽²⁾	8,250	16,500	215,526	-	-
Credit facilities – interest ⁽³⁾⁽⁴⁾	14,909	19,936	7,724	-	-
Lease liability	806	1,665	1,158	328	1,030
Total	72,226	38,101	224,408	328	1,030

(1) Assumes the Revolving Credit Facility is not renewed on June 30, 2026, whereby outstanding balances become due one year later on June 30, 2027.

(2) Assumes quarterly amortization payments of \$4.1 million are made against the Term Facility with the remaining amount repaid on April 7, 2027.

(3) Assumes interest is incurred on amounts outstanding on the Revolving Credit Facility at June 30, 2025 at the Company's effective interest rate during the current quarter and the principal balance is repaid June 30, 2027.

(4) Assumes interest is incurred on amounts outstanding on the Term Facility at June 30, 2025, with quarterly amortization payments of \$4.1 million, at the Company's effective interest rate during the current quarter and the remaining principal balance is repaid April 7, 2027.

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

(\$'000s)	June 30, 2025	December 31, 2024
Trade payables ⁽⁵⁾	32,000	13,649
Joint operations partners	3,531	4,033
Accruals ⁽⁶⁾	12,730	5,913
Total	48,261	23,595

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

(6) 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.

21(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, 2025.

(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,

including tariffs imposed by the U.S. and other countries on one another, 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, 2025, commodity-based derivative contracts totaling the amounts below were outstanding and recorded at estimated fair value:

	Q3/25	Q4/25	Q1/26	Q2/26	Q3/26	Q4/26	Q1/27
Natural Gas AECO Swap (mcf/d)	17,060	15,800	15,165	14,215	14,215	8,560	4,265
Hedged price (\$AECO/mcf)	\$2.30	\$2.65	\$2.85	\$3.00	\$3.00	\$3.05	\$3.65
Natural Gas AECO Costless Collar (mcf/d)	13,270	12,640	12,320	11,375	11,375	16,400	18,950
Hedged price (\$AECO/mcf)	\$2.10 - \$3.20	\$2.20 - \$3.40	\$2.25 - \$3.50	\$2.45 - \$3.50	\$2.45 - \$3.50	\$2.80 - \$4.40	\$2.90 - \$4.85
Crude Oil WTI Swap (bbl/d)	3,250	2,500	3,750	2,000	2,000	2,000	2,000
Hedged price (\$USD WTI/bbl)	\$62.50	\$62.20	\$60.30	\$60.90	\$60.90	\$61.05	\$61.05
Crude Oil WTI Costless Collar (bbl/d)	1,300	1,300	-	-	-	-	-
Hedged price (\$USD WTI/bbl)	\$55.00 - \$59.35	\$55.00 - \$59.35	-	-	-	-	-
Crude Oil WTI Three-way Collar (bbl/d)	1,300	1,300	-	-	-	-	-
Low sold put price (\$USD WTI/bbl)	\$59.50	\$59.50	-	-	-	-	-
Mid bought put price (\$USD WTI/bbl)	\$67.50	\$67.50	-	-	-	-	-
High sold call price (\$USD WTI/bbl)	\$83.00	\$83.00	-	-	-	-	-
Electricity AESO Swap (kW)	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Hedged price (\$kWh)	\$0.06217	\$0.06217	\$0.06217	\$0.06217	\$0.06217	\$0.06217	\$0.06217

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, 2025, the Company estimates that it would receive \$0.1 million to terminate these contracts.

An increase or decrease of US \$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 \$14.2 million and increase the fair value of derivative contracts by \$14.4 million respectively as at June 30, 2025.

The fair value of the financial commodity risk management contracts at June 30, 2025 was an asset of \$0.1 million (December 31, 2024 – liability 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 credit facilities by approximately \$0.6 million for the three months ended June 30, 2025 (June 30, 2024 - \$0.1 million).

21(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, 2025, InPlay's capital structure includes shareholders' equity, credit facilities 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, 2025	December 31, 2024
Credit facilities	240,276	63,134
Accounts payable and accrued liabilities	48,261	23,595
Accounts receivable and accrued receivables, prepaid expenses and deposits and inventory	(65,314)	(25,834)
Net debt	223,223	60,895
Shareholders' equity	385,225	290,727
Total capitalization	608,448	351,622

In addition to the capital structure described above, internally generated adjusted funds flow also contributes to the Company's ability to maintain financial flexibility and return capital to shareholders. 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, 2025 and June 30, 2024 is as follows:

(\$'000s)	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Funds flow	29,181	19,400	45,404	35,404
Transaction and integration costs	10,141	-	10,141	-
Decommissioning expenditures	758	745	1,318	1,267
Adjusted funds flow	40,080	20,145	56,863	36,671

22. COMMITMENTS

22(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)	2025	2026	2027	2028	2029+
Office lease payments	197	419	418	421	858
Other leases	1,195	2,263	1,233	-	-
Total	1,392	2,682	1,651	421	858

22(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)	2025	2026	2027	2028+
Firm service commitment ⁽¹⁾	1,424	2,645	1,326	1,746

- ⁽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)	2025	2026	2027	2028
Gas processing	1,723	3,486	3,555	3,636