



## **InPlay Oil Corp. Announces Third Quarter 2019 Financial and Operating Results**

November 7, 2019 - Calgary Alberta – InPlay Oil Corp. (TSX: IPO) (OTCQX: IPOOF) (“InPlay” or the “Company”) is pleased to announce its financial and operating results for the three and nine months ended September 30, 2019. InPlay’s condensed unaudited interim financial statements and notes, as well as management’s discussion and analysis (“MD&A”) for the three and nine months ended September 30, 2019 will be available at “[www.sedar.com](http://www.sedar.com)” and our website at “[www.inplayoil.com](http://www.inplayoil.com)”.

### **Third Quarter 2019 Financial & Operating Highlights**

- Achieved average quarterly production of 5,080 boe/d (66% light oil and liquids) in the third quarter of 2019, an increase of 6% compared to 4,773 boe/d (69% light oil and liquids) in the third quarter of 2018.
- Year to date production growth of 10% was attained with average production of 5,000 boe/d (66% light oil and liquids) in the first nine months of 2019 compared to 4,529 boe/d (70% light oil and liquids) in the first nine months of 2018. Production growth was achieved notwithstanding the sale of approximately 250 boe/d of non-core producing assets in October 2018.
- Generated adjusted funds flow (“AFF”)<sup>(1)</sup> of \$24.7 million (\$0.36 per basic and diluted share) during the first nine months of 2019 compared to \$25.3 million (\$0.37 per basic and diluted share) generated in the first nine months of 2018. These results were achieved despite a 15% decrease in West Texas Intermediate (“WTI”) prices as well as a 52% decrease in the Company’s realized Natural Gas Liquids (“NGLs”) prices over the same respective periods.
- Continued focus on efficiencies resulted in operating costs decreasing 14% to \$13.47/boe in the third quarter of 2019 compared to \$15.62/boe in the third quarter of 2018 and decreasing 6% compared to \$14.31 in the second quarter of 2019. This decrease, combined with lower royalty rates largely from lower Alberta par prices, resulted in operating netbacks<sup>(1)</sup> of \$23.11/boe for the first nine months of 2019.
- Operating income profit margin<sup>(1)</sup> of 56% was generated in the first nine months of 2019 compared to 56% in the first nine months of 2018, even with significantly lower realized light oil, natural gas and NGL prices received over the same respective periods.
- The Company has improved its net debt position by 12% over the past year, to \$58.1 million at September 30, 2019 compared to \$66.0 million at September 30, 2018, despite significantly lower realized light oil, natural gas and NGL prices received during the period and while maintaining an active drilling program resulting in top tier production growth amongst light oil weighted peers.

### **Fourth Quarter 2019 Update**

- The Company is on pace to meet its annual average production guidance while reducing its 2019 capital expenditure program by approximately 11 percent to \$32 million (from \$36 million).
- Current production based on field estimates is approximately 5,560 boe/d.
- Production growth per basic share is expected to be 8 – 10% year over year with capital spending approximating adjusted funds flow for the year.
- Continued improvement in capital efficiencies were driven by strong well results and lower drilling costs. InPlay recently drilled and completed a three well pad (1.0 mile horizontal lengths) in Pembina which delivered record setting total drilling days for Pembina (as low as 4.1 days/well) leading to average well costs of \$1.8 million (drill, complete, equip and tie-in), a 25 percent reduction from \$2.4 million spent on our last Pembina program.
- Operating income profit margins<sup>(1)</sup> are forecasted to remain in the 55 – 56% range for 2019 in light of volatile and lower commodity prices.

## Financial and Operating Results:

| (CDN) (\$000's)                                             | Three months ended<br>September 30 |            | Nine months ended<br>September 30 |            |
|-------------------------------------------------------------|------------------------------------|------------|-----------------------------------|------------|
|                                                             | 2019                               | 2018       | 2019                              | 2018       |
| <b>Financial (CDN\$)</b>                                    |                                    |            |                                   |            |
| Oil and natural gas sales                                   | 17,395                             | 22,801     | 56,600                            | 63,703     |
| Funds flow                                                  | 6,397                              | 9,962      | 23,391                            | 24,360     |
| Per share – basic and diluted                               | 0.09                               | 0.15       | 0.34                              | 0.36       |
| Per boe                                                     | 13.69                              | 22.69      | 17.14                             | 19.70      |
| Adjusted funds flow <sup>(1)</sup>                          | 6,886                              | 10,006     | 24,694                            | 25,320     |
| Per share – basic and diluted <sup>(1)</sup>                | 0.10                               | 0.15       | 0.36                              | 0.37       |
| Per boe <sup>(1)</sup>                                      | 14.73                              | 22.79      | 18.09                             | 20.48      |
| Comprehensive (loss)                                        | (1,355)                            | (1,775)    | (7,949)                           | (710)      |
| Per share – basic and diluted                               | (0.02)                             | (0.03)     | (0.12)                            | (0.01)     |
| Exploration and development capital expenditures            | 8,082                              | 17,376     | 27,533                            | 43,252     |
| Property acquisitions/(dispositions)                        | -                                  | (26)       | 78                                | (4,164)    |
| Net debt                                                    | (58,053)                           | (66,005)   | (58,053)                          | (66,005)   |
| Shares outstanding                                          | 68,256,616                         | 67,886,619 | 68,256,616                        | 67,886,619 |
| Basic & diluted weighted-average shares                     | 68,256,616                         | 67,886,619 | 68,256,616                        | 67,886,619 |
| <b>Operational</b>                                          |                                    |            |                                   |            |
| Daily production volumes                                    |                                    |            |                                   |            |
| Crude oil (bbls/d)                                          | 2,580                              | 2,775      | 2,680                             | 2,695      |
| Natural gas liquids (bbls/d)                                | 748                                | 541        | 639                               | 465        |
| Natural gas (Mcf/d)                                         | 10,509                             | 8,738      | 10,085                            | 8,218      |
| Total (boe/d)                                               | 5,080                              | 4,773      | 5,000                             | 4,529      |
| Realized prices                                             |                                    |            |                                   |            |
| Crude oil & NGLs (\$/bbls)                                  | 54.17                              | 71.48      | 57.96                             | 70.00      |
| Natural gas (\$/Mcf)                                        | 0.84                               | 1.23       | 1.48                              | 1.48       |
| Total (\$/boe)                                              | 37.22                              | 51.93      | 41.47                             | 51.52      |
| Operating netbacks (\$/boe) <sup>(1)</sup>                  |                                    |            |                                   |            |
| Oil and natural gas sales                                   | 37.22                              | 51.93      | 41.47                             | 51.52      |
| Royalties                                                   | (3.55)                             | (6.03)     | (3.49)                            | (5.57)     |
| Transportation expense                                      | (0.76)                             | (0.77)     | (0.85)                            | (0.77)     |
| Operating costs                                             | (13.47)                            | (15.62)    | (14.02)                           | (16.30)    |
| Operating netback                                           | 19.44                              | 29.51      | 23.11                             | 28.88      |
| Realized gain (loss) on derivative contracts                | 0.00                               | (1.75)     | 0.02                              | (3.08)     |
| Operating netback (including realized derivative contracts) | 19.44                              | 27.76      | 23.13                             | 25.80      |

<sup>(1)</sup> “Adjusted funds flow”, “adjusted funds flow per share, basic and diluted”, “adjusted funds flow per boe”, “operating income”, “operating netback per boe” and “operating income profit margin” do not have a standardized meaning under International Financial Reporting Standards (IFRS) and GAAP and therefore may not be comparable with the calculations of similar measures for other companies. “Adjusted funds flow” adjusts for decommissioning expenditures from funds flow. Please refer to “Non-GAAP Financial Measures” and “BOE equivalent” at the end of this news release and to the section entitled “Non-GAAP Measures” in our MD&A for details of calculations, rationale for use and applicable reconciliation to the nearest IFRS measure.

### **Third Quarter 2019 Financial & Operations Overview**

InPlay's capital program of \$8.0 million for the third quarter of 2019 consisted of completing and bringing on production at the end of July two (2.0 net) ERH Cardium wells that were drilled in the second quarter of 2019. Two (0.3 net) non-operated ERH Cardium wells were drilled and completed and were placed on production in September, and one (0.2 net) non-operated ERH Nisku Pembina well was drilled and completed in the third quarter and placed on production early in the fourth quarter. The two (2.0 net) Willesden Green 1.5 mile ERH wells that were drilled in June and brought on production in late July were among the top five producing Cardium oil wells in Alberta during the quarter with cumulative oil production of 28,876 bbls over the first 65 days and 26,171 bbls over 66 days respectively. Total average drilling, completion and equipping costs of \$3.25 million amounted to our lowest realized costs to date. Given recent advances in drilling and completion efficiencies in the Pembina area, a portion of the Company's capital program in the third quarter of 2019 was allocated to our Central Pembina Cardium assets. The Company drilled three (3.0 net) one mile Pembina Cardium wells during the third quarter of 2019, setting industry pacesetting drill times of 4.2, 4.1 and 4.8 days respectively. The first two of these wells were the fastest horizontal Pembina Cardium wells drilled to date. More importantly, approximately \$750,000 was spent per well on drilling operations, which was significantly lower than the Company's internal expectations and budget. These wells were completed and brought on production in the third week of October 2019.

Production for the quarter of 5,080 boe/d (66% light oil and liquids) resulted in average production for the first nine months of 2019 of 5,000 boe/d (66% light oil and liquids). This results in ten percent production growth for the nine months ended 2019 over 2018. With current production of 5,560 boe/d (field estimates) and three new Pembina wells in their initial clean-up phase, the Company is well positioned to meet its 2019 annual production guidance of 5,000 – 5,200 boe/d (67% - 70% light oil and liquids).

Reduced commodity prices weighed on financial results in the third quarter of 2019. Oil prices were significantly lower over the third quarter with WTI prices averaging \$56.45 USD/bbl, compared to \$69.46 USD/bbl for the third quarter of 2018. Natural gas and NGL prices were also significantly lower over the third quarter with natural gas AECO daily index prices averaging \$0.82 CDN/mcf compared to \$1.07 CDN/mcf for the third quarter of 2018. Natural Gas Liquids prices currently are at multi-year lows as the Company's realized NGL prices averaged \$14.60 CDN/bbl in the third quarter of 2019 compared to \$42.18 CDN/bbl over the same respective period in 2018 following continued reduced propane and butane pricing. Offsetting the weakness in commodity prices is a 14% reduction in operating costs (\$13.47/boe for the third quarter of 2019 compared to \$15.62/boe in the third quarter of 2018). AFF for the third quarter of 2019 decreased to \$6.9 million (\$0.10 per basic share) compared to \$10.0 million (\$0.15 per basic share) for the third quarter of 2018 following the reduced commodity prices over the respective periods. To put things in perspective, had third quarter Q3 2019 realized prices remained the same as third quarter 2018 prices, AFF for the quarter would have been approximately \$12.0 million (\$0.18 per basic share), 73% higher than the \$6.9 million realized in the third quarter of 2019.

### **Outlook**

InPlay continues to outperform operationally with production from our drilling results to date exceeding our internal forecasted type curves. Given the strong results achieved year to date, the Company is on pace to achieve its annual average production guidance without drilling any additional wells. Accordingly, InPlay does not plan to drill any additional wells in 2019 thereby reducing its annual capital budget by 11% to \$32 million (from \$36 million).

The three 100% Pembina wells which were placed on production the third week of October are currently meeting expectations and are still in an early clean up stage. Over the first seventeen days of production they are averaging 183 boed (96% light oil) per well. More importantly are the capital efficiencies being achieved at Pembina as we transferred our refined completion operations from Willesden Green and are also utilizing fundamentally refined changes in drilling and equipping practices in Pembina. This has resulted in costs to drill, complete, equip and tie-in these wells of approximately \$1.8 million per well compared to the \$2.4 million we previously spent on a drilling operation in Pembina two years ago. InPlay believes the encouraging initial

production results combined with the 25% reduction in capital costs makes Pembina development economically competitive with its industry leading Willesden Green economics.

The Company has achieved its exit production guidance of 5,500 – 5,700 boe/d (67 - 70% light oil and liquids) early as current production, based on field estimates, is approximately 5,560 boe/d (66% light oil and liquids).

InPlay now plans to drill 8.2 net horizontal wells in 2019 compared to the 9.0 – 10.0 net horizontal wells originally forecasted. This results in an 11% reduction in total forecasted 2019 capital expenditures to approximately \$32 million compared to our previous forecast of \$36 million and production is anticipated to be in the lower half of our annual average production guidance of 5,000 – 5,200 boe/d (66% - 70% light oil and liquids) generating annual average production growth of between 8% - 10%. This program is forecast to result in 2019 AFF of \$31 - \$34 million in line with total capital expenditures. These results are anticipated to result in top tier organic light oil and liquids growth among our light oil peers for 2019.

Volatility in commodity prices continues into the fourth quarter of 2019 with forward WTI prices fluctuating between US\$54.00/bbl and US\$57.00/bbl with a strong improvement in AECO pricing ranging between \$2.25 - \$3.00/Mcf. Edmonton light sweet differentials had returned to historically normal levels over the first nine months of 2019 and started the fourth quarter between a \$4.00 - \$4.50 USD/bbl discount to WTI but has currently increased to over an \$8.00 USD/bbl discount to WTI for December of 2019 with the current shut-in of the Keystone XL pipeline. InPlay continues to forecast depressed NGL pricing for the remainder of 2019, however we expect to see improved prices in the new year.

InPlay's strategy is to leverage management's strong technical and operational capabilities to deliver top tier production growth, capital efficiencies and returns relative to our light oil peers. We are focused on running a sustainable junior oil company with a long term view to ensure we maintain a strong financial position during volatile commodity prices and during periods with limited access to capital. InPlay has reacted to these market factors as we see widening differentials into year-end by reducing development capital while still providing 8 – 10% production growth over 2018. Our financial and operational flexibility will allow us to react quickly and expand activity as market factors improve.

We thank our employees and directors for their ongoing commitment and dedication and we thank all of our shareholders for their continued interest and support. We are excited about the strong operational results we have achieved to date and will continue to adhere to our prudent strategy when facing volatile commodity pricing. We look forward to issuing our 2020 capital budget in January 2020 which we expect will initially, similar to 2019, approximate AFF based on future commodity pricing at that time.

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## **Reader Advisories**

### **Non-GAAP Financial Measures**

Included in this press release are references to the terms “adjusted funds flow”, “adjusted funds flow per share, basic and diluted”, “adjusted funds flow per boe”, “operating income”, “operating netback per boe” and “operating income profit margin”. Management believes these measures are helpful supplementary measures of financial and operating performance and provide users with similar, but potentially not comparable, information that is commonly used by other oil and natural gas companies. These terms do not have any standardized meaning prescribed by GAAP and should not be considered an alternative to, or more meaningful than, “funds flow”, “profit (loss) before taxes”, “profit (loss) and comprehensive income (loss)” or assets and liabilities as determined in accordance with GAAP as a measure of the Company’s performance and financial position.

InPlay uses “adjusted funds flow”, “adjusted funds flow per share, basic and diluted” and “adjusted funds flow per boe” as key performance indicators. Adjusted funds flow should not be considered as an alternative to or more meaningful than funds flow as determined in accordance with GAAP as an indicator of the Company’s performance. InPlay’s determination of adjusted funds flow may not be comparable to that reported by other companies. Adjusted funds flow is calculated by adjusting for decommissioning expenditures from funds flow. This item is adjusted from funds flow as decommissioning expenditures are incurred on a discretionary and irregular basis and are primarily incurred on previous operating assets, making the exclusion of this item relevant in Management’s view to the reader in the evaluation of InPlay’s operating performance. Adjusted funds flow per share, basic and diluted is calculated by the Company as adjusted funds flow divided by the weighted average number of common shares outstanding for the respective period. Management considers adjusted funds flow per share, basic and diluted an important measure to evaluate its operational performance as it demonstrates its recurring operating cash flow generated attributable to each share. Adjusted funds flow per boe is calculated by the Company as adjusted funds flow divided by production for the respective period. Management considers adjusted funds flow per boe an important measure to evaluate its operational performance as it demonstrates its recurring operating cash flow generated per unit of production. For a detailed description of InPlay’s method of calculating adjusted funds flow, adjusted funds flow per share, basic and diluted and adjusted funds flow per boe and their reconciliation to the nearest GAAP term, refer to the section “Non-GAAP Measures” in the Company’s MD&A filed on SEDAR.

InPlay also uses “operating income”, “operating netback per boe” and “operating income profit margin” as key performance indicators. Operating income should not be considered as an alternative to or more meaningful than net income as determined in accordance with GAAP as an indicator of the Company’s performance. Operating income is calculated by the Company as oil and natural gas sales less royalties, operating expenses and transportation expenses and is a measure of the profitability of operations before administrative, share-based compensation, financing and other non-cash items. Management considers operating income an important measure to evaluate its operational performance as it demonstrates its field level profitability. Operating netback per boe is calculated by the Company as operating income divided by average production for the respective period. Management considers operating netback per boe an important measure to evaluate its operational performance as it demonstrates its field level profitability per unit of production. Operating income profit margin is calculated by the Company as operating income as a percentage of oil and natural gas sales. Management considers operating income profit margin an important measure to evaluate its operational performance as it demonstrates how efficiently the Company generates field level profits from its sales revenue. For a detailed description of InPlay’s method of the calculation of operating income, operating netback per boe and operating income profit margin and their reconciliation to the nearest GAAP term, refer to the section “Non-GAAP Measures” in the Company’s MD&A filed on SEDAR.

### **Forward-Looking Information and Statements**

This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends” “forecast” and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: production estimates including current 2019 annualized and exit forecasts; targeted production growth; light oil and liquids weighting estimates; future oil and natural gas prices; forecasted 2019 adjusted funds flow; forecasted 2019 operating income profit margins; future liquidity and financial capacity; future results from operations and operating metrics; future costs, expenses and royalty rates; future interest costs; the exchange rate between the \$US and \$CDN; future development, exploration, acquisition, development and infrastructure activities and related capital expenditures, including our 2019 capital program, the number of wells to be drilled, completed and tied-in and the timing thereof; the amount and timing of capital projects; our belief that we will deliver top tier returns and capital efficiencies; that our Pembina development has the potential to be competitive with our Wilslesden Green economics; and

the resource potential of our Duvernay play; and methods of funding our capital program. Forward-looking statements or information are based on a number of material factors, expectations or assumptions of InPlay which have been used to develop such statements and information but which may prove to be incorrect. Although InPlay believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because InPlay can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which InPlay operates; the timely receipt of any required regulatory approvals; the ability of InPlay to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which InPlay has an interest in to operate the field in a safe, efficient and effective manner; the ability of InPlay to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and the ability of InPlay to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which InPlay operates; and the ability of InPlay to successfully market its oil and natural gas products.

The forward-looking information and statements included herein are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to defer materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; the potential for variation in the quality of the reservoirs in which we operate; changes in the demand for or supply of our products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of InPlay or by third party operators of our properties; increased debt levels or debt service requirements; inaccurate estimation of our oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in InPlay's disclosure documents.

The internal projections, expectation or beliefs underlying InPlay's 2019 capital budget and guidance for 2019 is subject to change based on ongoing results, prevailing economic circumstances, commodity prices and industry conditions. InPlay's outlook for 2019 and beyond provides shareholders with relevant information on management's expectations for results of operations, excluding any potential acquisitions, dispositions or other strategic transactions that may be completed in 2019 or beyond. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted and InPlay's guidance may not be appropriate for other purposes.

The forward-looking information and statements contained in this news release speak only as of the date hereof and InPlay does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

The assumptions used by the Company in the development of forecasted 2019 adjusted funds flow and 2019 operating income profit margin are as follows:

|                              |              |               |
|------------------------------|--------------|---------------|
| WTI                          | US\$/bbl     | \$56.70       |
| NGL Price                    | \$/boe       | \$19.00       |
| AECO                         | \$/GJ        | \$1.75        |
| Foreign Exchange rate        | (US\$/CDN\$) | 0.75          |
| MSW Differential             | US\$/bbl     | \$5.00        |
| Production                   | Boe/d        | 5,000 – 5,200 |
| Royalties                    | \$/boe       | 3.25 – 3.75   |
| Operating expenses           | \$/boe       | 13.75 – 14.50 |
| Transportation               | \$/boe       | 0.75 – 0.95   |
| Interest                     | \$/boe       | 1.25 – 1.50   |
| General and administrative   | \$/boe       | 3.25 – 3.95   |
| Decommissioning Expenditures | \$ millions  | 1.1 – 1.5     |

- NGLs estimated to represent approximately 19% - 21% of total oil and liquids production
- Quality and pipeline transmission adjustments may impact realized oil prices in addition to the MSW Differential provided above

Forecasted full year 2019 commodity price reductions including a USD \$0.50/bbl decrease in WTI and \$4.00/boe decrease in realized NGL prices are the main factors causing a \$2 million decrease in 2019 funds flow and adjusted funds flow from that previously forecasted.

**Test Results and Initial Production Rates**

Test results and initial production rates disclosed herein, particularly those short in duration, may not necessarily be indicative of long term performance or of ultimate recovery. A pressure transient analysis or well-test interpretation has not been carried out and thus certain of the test results provided herein should be considered to be preliminary until such analysis or interpretation has been completed.

**BOE equivalent**

Barrel of oil equivalents or BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of 6:1, utilizing a 6:1 conversion basis may be misleading as an indication of value.